### In The Matter Of:

Senate Committee on Governmental Affairs

Special Investigation

Deposition of Haley R. Barbour July 19, 1997 CONFIDENTIAL

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JOAN V. CAIN

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Senate Office Building, commenced at 1:00 p.m., before		No. 5	33		
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TERRENCE O'DONNELL, ESQ.		)	****	CEEDINGS	Page S
DENNIS M. BLACK, ESQ.		(1)		Nenbou' Yeeriiana	
PAUL RAUSER, ESQ.		[2]   [3] HALEY R. ]	MITP CIITAGGAG	marches:	
Williams & Connoily		in was called	for examination by co	ounsel for the Commit	tee on
725 12th Street, N.W.		in Governme	ntal Affairs and having	g been first duly swon	n bv
Washington, D.C. 20005-5901				and testified as follow	
(202) 434-5000 On behalf of the Republican National Committee:			DIGAN: I have a prelic		
KEVIN W. MURPHY, ESQ.		m to put on			
Deputy Counsel		m I asked.	Mr. Baron, your staff t	o provide us with	
Republican National Committee		[10] copies of t	he charts that dealt w	ith the NPF that were	used
310 First Street, S.E.		[11] by Senator	Glenn in his opening	statement, and Mr. Mo	:Kean
Washington, D.C. 20003			I am advised, refused.		
(202) 863-8638			KEAN: That is not con		
MARTIN J. WEINSTEIN, ESQ.		[14] MPL MA	DIGAN: Well, I would	in this deposition	
Foley & Lardner		(15) DECRUSE (	may want to use them RON: Well, I was not a	une that you had	
Washington Harbour		[16] MR. BA	there and We Weken	says it is not correct	that
3000 K Street, N.W.		ve he refused	hut is any event I wi	Il certainly make then	
Washington, D.C. 20007		(19) available to	o note all sails exerted a ma	a coraminy and some	•
(202) 672-5435		(20) MR. MA	DIGAN: And secondly,	I've gotten reports.	
	Page 3	1911 Which I ho	pe are inaccurate from	m members of the for	ce who
APPEARANCES: (continued)	<b></b>	1221 state that y	our staff has said that	you have documents	that
On behalf of the National Policy Forum:		123) were not s	given to Thompson, to	Chairman Thompson.	that you
THOMAS E. WILSON, ESQ.		1241 intend to i	ntroduce at the hearin	g, and I want to make	sure
Lane & Miltendorf LLP		25) that with r	espect to the witnesse	s on the witness list t	hat
919 18th Street, N.W.		]			<del></del>
Washington, D.C. 20008		ł			
(202) 785-4949		1			
ALSO PRESENT:		(			
and the second s		l .			

[4] any and all documents that have been provided to this Committee, whether provided to the Minority or to the [3] Majority, have actually gone to Senator Thompson. So if you M could-

MR. BARON: I'm not sure what your point is. That (4) there are documents that were not produced pursuant to [7] subpoena?

MR. MADIGAN: No. As I understand it, there were । Subpoenas that were requested, that you requested as a of matter of fact, and then you did not serve them and you 11] received documents from the individuals on what you said was 2 a voluntary basis.
3 MR. BARON: Right.

MR. MADIGAN: I want to make sure that copies of is those documents have been provided, as they are required to is be under the rules, to the majority.

MR. BARON: Oh, they have been. They were the is same documents that Mr. Becker produced at his deposition, 197 at Richard Richards' deposition, which he produced voluntarily, and you had a representative there and you have 211 the same set of documents I had.

There were also documents that were produced by the National Policy Forum one Friday evening-MR. MADIGAN: Right.

MR. BARON: -that we're both aware of. You got

(1) the same thing I got.

To my knowledge, those are the only documents that were produced without a subpoena, and to my knowledge, Myou've gotten the same thing I have received, as far as I

si know. MR. MADIGAN: All right. Well, I am glad to have 17 that representation. That is the representation for all of gethe people on the witness list that you provided yesterday.

Is that right? MR. BARON: Well, the ones I'm specifically aware 11] of are Becker-

MR. MADIGAN: The NPF witness list relating to (3) Witnesses

MR. BARON: I understand. The ones I'm aware of 15] are the documents that were produced in connection with 181 Becker and Richards.

I understand that some issue was raised concerning is documents that were shown-was it to Reed?

MR. McKEAN: Reed deposition.

MR. BARON: -at the Reed deposition that we 21] obtained not by subpoena or anything. They were supplied to 22; us from a member of the media, actually, as I understand it, but they were produced and used at the deposition. So you 7230 would have copies of those. 24

Is that correct?

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:31

[4]

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MR. McKEAN: They were supplied at the deposition. MR. BARON: Okay. So, as far as I know, you have

everything we have-MR. MADIGAN: Okay.

MR. BARON: -whether it was supplied by subpoena :61 OF DOE

MFL MADIGAN: It makes my morning much better. I feel better now

MR. O'DONNELL: I've got a couple of preliminary o points I'd like to make as well

First, Mr. Barbour is appearing here today 11 voluntarily, and as he informed the Chairman of the 121 Committee, he intends to appear before the Committee voluntarily when he is called this week. 131 14]

Second, the S. Resolution 39 spells out the scope 16] of this deposition and the Senate proceedings "for the sole 17] source of conducting an investigation of illegal or improper 18) activities in connection with the 1996 Federal election

19] campaigns. I've got a preliminary statement. I won't go into the legal analysis that I put in here, but I'd like to put 22] this statement in the record so we have it there. Questions 23) that go beyond the scope aren't proper, and we may reserve 24) the right to object to those questions.

Thirdly, I may ask from time to time, as I'm

in entitled to under the Supreme Court decision, when I doubt 121 that a question is within the scope of the mandate of the IN Committee, what is the connection between that question and the scope, the Resolution S. 39, and I've cited here support is for that proposition as well.

Fourthly, I want to incorporate by reference the letter of July 17 that I sent regarding the enormous document productions of the RNC and the NPE which Mr.

Barbour has not had an opportunity to review in entirety or, in fact, even a fraction of the overall records.

And lastly, I want to note that there have been a 12 series of irregularities in the conduct of the Minority (13) staff. For example, I'm aware that the Committee has

141 received a letter from Peter Chapmin who was interviewed by [15] a Minority investigator named Gerwin. According to the

no letter, Mr. Gerwin stated that he was "on the offense 177 looking for anything that might be used to discredit the

(18) other side and Haley Barbour in particular." If at any time (19) during this deposition it becomes apparent that the

(20) deposition is being taken in pursuit of these ends, then I [21] reserve the right to terminate this deposition because we

221 Won't stand for it. I'm also concerned about efforts by the Minority (24) to contact my client and other represented individuals

es without going through counsel, which is a violation of the

Page 10

(1) ethics rules of this bar.

So, with that said, I'd like to submit this statement for the record, and we can get on with the

MR. BARON: Well, I'd like to state for the record, first of all, I have not seen a letter from Mr.

Chapmin. So I'm not aware of what he said. I also am not aware of any attempt to contact

individuals intentionally by going around counsel. If it (10) happened inadvertently, it may have. I know that you and I [11] had an exchange about that and you said that I knew that you (12) represented Mr. Barbour, and frankly, your name had never (13) surfaced. I had no idea you represented Mr. Barbour.

[14] I'm certain that no questioning of any substance [15] whatsoever has ever-had taken place by any member of the [16] Minority staff with any witness who was represented by

counsel in the absence of their counsel. You're certainly (in free to put that in the record.

I hope you're aware of Senator Thompson's ruling 119 (20) in the Baroody deposition as to the scope because, in that [21] deposition, Mr. Baroody on instructions from counsel

224 declined to answer approximately 100 questions. Senator 225 Thompson has since then ruled that the questions were-well,

pay that the line that was drawn with regard to scope was too 25] narrow and that he would be required to answer questions

(1) which related to the whole issue of NPF, Young Brothers

 Development Company guaranteeing a loan. So I hope you have
 that in mind in making your judgment as to whether you are going to instruct the witness not to answer.

Apropos of that, I'm not quite clear whether you're saying you're simply going to object that it's

outside the scope but permitted to answer or whether it will be your position to object and instruct him not to answer.

Do you want to elaborate on that? MR. O'DONNELL: I reserve the right to instruct

[11] him not to answer. Let's go ahead with the deposition.
[12] I'd like this marked, if I could, so it's part of

the deposition record. [14]

MR. BARON: Do you have a copy for us? MR. O'DONNELL: Yes, I do. [15] (Barbour Deposition Exhibit

(17) No. 1 marked for

identification. [18] EXAMINATION BY COUNSEL FOR THE MINORITY COMMITTEE ON GOVERNMENTAL AFFAIRS 1201

BY MR. BARON: [21] Q: Mr. Barbour, for the record, would you state your 122 name? **F231** 

A: My name is Haley Reeves Barbour.

Q: And where do you live, sir?

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A: 648 Dogwood Drive, Yazoo City, Mississippi. [1] Q: And are you employed, sir? Q: By whom and in what capacity? [4] A: I'm a partner in the law firm of Barbour, Griffith [5] & Rogers. I also am the vice-I can't think of my exact title n MS. CAIN: I can't hear you, Mr. Barbour. (8)

THE WITNESS: We have a-we have a public [9] [10] relations firm, Public Policy Impact Communications, that I [11] also am active in, but my principal occupation is that I'm a [12] partner in the law firm of Barbour, Griffith & Rogers. BY MR. BARON: [13]

Q: Could you just generally state your educational [15] background and your employment history? A: I attended the public schools of Yazoo City, [16]

[17] Mississippi, except for two years in elementary school I (18) went to school in Florida, one year in Sarasota and one year [19] in Bradenton. Other than that, I attended the public izo schools of Yazoo City, Mississippi.

I graduated from high school in 1965. I went to [21] [22] summer school at Summer Millsaps College and then went on to [23] the University of Mississippi to undergraduate school where [24] I went on and off to undergraduate school.

I should mention that in the summer of 1966, I

Page 13 (1) went to summer school at Belhaven College in Jackson, Mississippi. I began the law school at Old Miss and the

[3] University of Mississippi Law School in 1970, and I received [4] a J.D. in 1973. I don't have a bachelor's degree from is college, but I have a law degree.

Q: After you graduated from law school, could you n again, in a general way, just describe the history of your employment to the present?

A: After I graduated from law school, I went back to work for the Mississippi Republican Party.

Q: In what capacity?

A: First as deputy-Mr. Baron, let me correct myself.

Q: Take your time.

[14]

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A: I had a few hours of law school left, and I went [15] to work full time for the Mississippi Republican Party in (16) the summer of 1972 as deputy executive director. I became executive director of the Mississippi Republican Party early in 1973, but actually went back and finished law school in (19) the summer of 1973. So it was incorrect when I said I [20] started after I graduated. I had to actually go back and [21] finish law school the next summer

I was executive director of the Mississippi [23] Republican Party until 1976. At the same time, I was executive director of the Southern Association of Republican [25] State Chairmen, purely because my State chairman was the

(1) chairman of the Southern Association of Republican State [2] Chairmen, it gave me duties, but no extra pay And in 1976, in August, after the convention, I

[4] was asked by the President Ford Committee to go to work in is the Ford campaign. I left the State Republican Party, ran in several States for the President Ford Committee in the general election campaign, went back to the State Republican [7] Party to sort of clean up until the end of the year and get

[6] my replacement on board and all.

In January of 1977, I joined my family law firm in (10) [11] Yazoo City, Mississippi, which was called Henry, Barbour & [12] DeCell, I practiced law there with the family form. I took off some time in 1978 to run the primary campaign of Charles [14] Pickering who ran for United States Senate that year. I

is went back to the law firm.

In 1979, I took off some time from the law firm to work for the John Connolly for President campaign. I went back to the law-and I never left the law firm, but I aj stayed-I went back full time about March of '80. I took off some time in the fall campaign in 1980

[21] to work for Americans for an Effective Presidency, but [22] essentially, from January of '77 until April of '85, I was a partner in our family's law firm. During that time, also, from late 1981 until November 1982, I ran for United States 25 SenatorQ: You personally ran?

A: Yes, sir. [2] Q: Okay. [3]

A: -in Mississippi. And when I lost, I went back to

In 1985, I was asked to come to the White House to work in the Reagan administration. I came in April of 1985.

and I was commissioned to be a special assistant to the

President for Political Affairs.

Q: Did you leave the law firm at that point?

A: I did. G: Okay. (12)

[10]

[14]

[23]

[24]

[25]

(11)

[13] A: I did. I was required to leave the law firm.

Q: I'm sorry. I didn't mean to interrupt you.

A: That's okay. I want to be sure I tell you [15] everything. [16]

In, I think, June of 1986, I was made deputy [117]

assistant to the President and the head of the White House [18] Office of Political Affairs. I stayed at the White House

until December of 1986. Then I went back home and started

practicing law again. [21]

Q: Was it with your old firm-(22)

A: It was.

Q: -or did you start up something else?

A: No. I went back to my family law firm.

Page 16

Page 15

Q: Right. [1]

A: And I stayed with my family law firm until '90 or '91. My practice gravitated to Washington after 1986, and

our family firm, Henry, Barbour & DeCell, had a law office

here, out of which I worked, and then, ultimately, it just became where virtually everything I did was up here, and it

was hard to be involved down there. So I withdrew as a

partner from Henry, Barbour & DeCell.

Q: And that was about when?

A: It was about '90. (101

Q: I don't want to hold you to an exact date.

[12] A: Right.

Q: I just want to get a sense of the timing. [13]

A: 1991, a man who had been my deputy at the White 1141 115] House when I was there, Ed Rogers, came-left the Bush White House and came to practice law with me, and we named the firm Barbour & Rogers, and I practiced there until January

of 1993 (18) (19)

Then, in January of 1993, I was elected chairman of the Republican National Committee, at which time I 1201 withdraw from active practice-

Q: With the law firm? A: With the law firm. 123

Q: Okay

<del>(25</del>]

Page 14

A: -and was chairman of the Republican National

Page 17

[1] Committee until January of 1997.

G: And being chairman of the Republican National

Committee is a paid position, is it not?

A: It is a paid, full-time job. Some chairmen in the past have continued to practice law, Ron Brown, Frank

Fahrenkopf. I chose not to, not to be actively involved in

n

Q: Did you withdraw from the firm, or did you become an inactive partner in the firm? I'm just not clear.

A: I continued to have my equity interest in the law firm. I didn't resign from the firm. I just became

[12] inactive. I never thought about characterizing it the way (13) you did, but I withdrew

Q: Whatever word you are comfortable with. [14]

A: So I withdrew from active practice. Now, there are other things that I did along the

way, and I'd be glad to describe-[17] Q: It's hard to see how you'd have time, but why i (181

[19] don't you tell me. A: -any of them to you.

Q: Are you talking about political things or public

[22] service?

A: Professional?

1241 Q: Or professional. A: Other things?

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(5) Page 12 - Page 17

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# · Special Investigation

# CONFIDENTIAL

Page 18 Q: Well, anything else you think would be useful for Q: Mr. Barbour, I am going to hand you what has now izi us, just to get a sense of who you are. 23 been marked as Barbour Deposition Exhibit No. 2. Let me A: I just want to tell you as much as you want to ह्य first show it to you and see if you can recognize it. know and don't want to tell you any more. [Witness perusing document.] Q: Right. BY MR. BARON: A: In addition to the law firm, some friends of mine Q: Do you recognize the document? A: Yes, sir. and I set up an environmental consulting firm we called National Environmental Strategies. I own part of it. Two Q: If I may, it's from Scott Reed to you, someone 193 of my friends each own part of it. m named Mike Baroody and someone named Ken Hill. First of Q: When was that? (19 all, can you identify who Scott Reed is or was? A: I continued-A: Yes. Scott Reed was executive director of the Q: I'm sorry. [12] Republican National Committee and worked for me as my top A: '90 or '91. (13) assistant. Q: Okay. Q: At the RNC? [14] A: '90, I think, but it could have been '91. [15] A: Correct. ig It continues to exist. I continue to own an Q: And it's addressed to you, of course. 1160 17] equity interest in it, and again, like the law firm, I Mr. Baroody. What role did he have at that time? [17] in didn't take any active role in it while I was chairman, but A: I believe at this date, Mike Baroody was going to ig am back taking something of a role in it. (19) be the president of the National Policy Forum. I didn't tell you that before I graduated from Q: And who was Mr. Ken Hill? zir college, I had worked for the Mississippi Republican Party. A: Again, at this date, I believe Ken Hill was going and I had worked for the United States Department of Commerce, to be the chief administrative officer. and I don't know if you're interested in that or not. Q: He was going to have some administrative role in

PM NPF?

A: Yes.

Q: This is back when you were still in college? A: Uh-huh, '68, 69, and '70. 25 Q: Okay, thank you. Is there anything else? That's izi a lot to have done.

A: Well, I don't know, like I say, how much farther you want to go. Q: As you know, one of the focal points of the investigation has become the whole issue of the National

[7] Policy Forum, its relationship with the RNC, and the whole business of Young Brothers Development Hong Kong through Young Brothers USA guaranteeing a loan by National Policy Forum. I'd like to turn to that and ask you some questions [11] about that.

National Policy Forum. Can you tell us when it [13] was created and what was the idea behind it and what was [14] your role in it?

A: It was created in the late spring of 1993. It [15] 116] was-I was the founding chairman of it, and its role, its [17] goal was to have a participatory policy institute. Q: Did it have any particular ambitions or particular [18]

[19] goals when it was brought into existence? A: To give-MR. O'DONNELL: We would just, for the record,

object to this whole line of questioning because it really [23] has nothing to do with the mandate and charter and the [24] resolution of the Committee, but you may go ahead and answer ess the question and we will answer a reasonable number of

(1) questions on this front. Go ahead. THE WITNESS: As I say, the idea was to have a participatory policy institute, and that is to have a policy institution in which average citizens, community leaders, people away from Washington, legislators, local officials,

(F) State officials, as well as Federal officials, had an [7] opportunity to participate in the issues that face our (8) Government. BY MR. BARON:

Q: And am I correct that the money that might be [11] referred to as the seed money for it came initially from the Republican National Committee?

A: The Republican National Committee made a loan.

[14] Q: Right. My recollection, as I sit here, it was [15] about \$100,000 to get things started? A: I think that's correct. [16]

Q: And am I correct that thereafter over the years, the Republican National Committee made loans to the National 19 Policy Forum to sustain it along the way?

A: Periodically, yes. MR. BARON: Let me have this marked as No. 2. [Barbour Deposition Exhibit

123 No. 2 marked for psy identification.)

Page 19

Q: You recall the memorandum. What was this memorandum supposed to be addressing? A: To set an agenda, Scott's way of setting an agenda for a meeting that I was going to be going to, issues to discuss, things to make sure got covered. Q: What meeting are we talking about that you were going to attend? A: Apparently, it's a meeting with me, Mike, Ken

Hill, probably Scott, maybe others, in which we were going to make decisions about National Policy Forum. Q: Going to set the agenda for the Forum? That's a [11] 1121

A: It's to bring up matters that Scott thought were (13 going to be on the agenda to make sure I had thought about. Q: Let me direct your attention to the second item in (19) the agenda, fund-raising, and first of all, there is

(17) handwriting in the side. It looks to me like "Ken" is what (in is written there. Do you see that? A: 1 do. (19)

Q: First of all, do you recognize the handwriting? [21]

Q: Okay. And there is a reference to "foreign" in the list under the topic, fund-raising. Can you describe put for me what does that represent in terms of your discussions es or as an objective for the forum?

Page 23

Page 22

would, and that there should be a discussion about whether or not NPF would accept foreign contributions. Q: Okay. And-A: You know, and if so, was there anything to be done

A: The issue is whether the National Policy Forum,

which was legally allowed to accept foreign contributions,

about it. Q: At your meeting with Mr. Baroody, Mr. Hill, Mr.

Reed, and others, what was the conclusion reached, if any, (10) regarding potential foreign fund-raising?
(11) MR. O'DONNELL: If you recall. [11]

THE WITNESS: Well, I was going to say-(12) MR. BARON: All of these questions are if he [13] [14] rigg

THE WITNESS: I'm not sure a decision was reached [16] at this meeting.

BY MR. BARON:

A: But the National Policy Forum could accept contributions from non-domestic sources, foreign corporations or individuals. (21)

Q: Let me rephrase the question. Ultimately, was there a decision reached whether at this meeting or at some subsequent meeting that the National Policy Forum would seek 25 to raise money possibly from foreign or non-domestic

[17]

[ia

25 BY MR. BARON

Page 26

Page 24 (1) sources? A: Yes. It was determined to look into that, and if e prospects were positive, to raise money. Q: Did the National Policy Forum raise money from [5] foreign sources, in fact; other than seeking it, but in fact, raise it? 161 A: At this time, no. Ultimately-Q: You mean back at the date of this memo? (6) A: Or during this year. 191 Q: Right. (10) A: Or as a result of this meeting, it did not. [11] [12] In 1996, the National Policy Forum did receive a (13) foreign contribution. Q: From what source was that? [14] A: The Pacific Cultural Foundation. 115 Q: Can you tell us how that contribution came about? [163 (17) A: It came in, in August of 1996. Q: Had any effort been made to solicit the Pacific (181 Cultural Foundation for a contribution? [19] A: I had not I had not ever heard of them. Q: So the check was a surprise to you? [21] A: I had been told-I'm just going to see if there's document I'm supposed to look at. Q: I'm going to try to find a copy of what we believe 1241

to be the check, and I'll show it to you.

MR. BARON: Let's have this marked.

24 \$25,000 check to the National Policy Forum?

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[51]

(1) resolution and this investigation, but. Mr. Barbour, you may ty go ahead and answer it. We'll answer a reasonable number of questions on this issue. THE WITNESS: I had been told that there-I didn't-1 wasn't told the name of it. 151 BY MR. BARON: Q: Right. (7) A: But that I had been told there was going to be a contribution, that there was a pledge from what I would have described as a Taiwan think tank. 110 Q: Right. And this represents, as you understand it, (111 (12) the check that followed up on that pledge? A: Yes, which came in much later. 1136 Q: Do you know how it came about, who solicited the [14] 115) Pacific Cultural Foundation for the contribution, if there was a solicitation, and who was responsible for getting the un contribution! [18] A: I do not know who spoke to the Pacific Cultural 119 Foundation or their representatives. I know that John is who told me that it was coming and who told me that it hadn't come and it hadn't come and it hadn't come. **[51]** 22 Q: You said that there was correspondence relating to (23) this. I think the record should reflect at this point that gay we aren't aware of such correspondence, although I will show iss you one document that we do have, but what is your Page 28

(Barbour Deposition Exhibit No. 3 marked for identification.) IS BY MR. BARON: Q: Let me show you what has been marked as Barbour M Exhibit No. 3. It has a Xerox copy of a check dated August 2, 1996, in the amount of \$25,000, payable to the National Policy Forum, drawn on the International Commercial Bank of China located at a branch in New York, and there is also a deposit ticket showing a deposit of \$25,000 to the National Policy Forum account on August 6, 1996. Let me show that to (13) you, and take a look at it. [14] [Witness perusing document.]
[15] BY MR. BARON: Q: Do you see that? A: Yes, sir. Q: Is that the check that you were referring to? A: Of course, I didn't see the check at the time, but pg in the review of the documents of the National Policy Forum, [21] this was the check that matched that contribution. Q: What, if any, knowledge do you have concerning how [23] it came about that the Pacific Cultural Foundation sent the

(1) understanding of what correspondence exists with regard to pa this contribution? A: I think you've got a thank you note in your hand. Q: Right is there anything other than that, that ia hon, to awate of A: I would just have to say that whatever-I'm sure that the custodian of the documents, who is not me, produced whatever there was. Q: So, when you refer to correspondence relative to to this donation-and I don't-I mean, I'm holding this out in [11] front. I'm not trying to hide it from you. I just want to 12 know whether there is anything other than that single (13) document that you're aware of. I got the impression it was [14] more from the way you described it. [15] MR. BARON: Let's get that marked, just so we're [16] **Barbour Deposition Exhibit** ์เเฑ [14 No. 4 marked for identification. G: I'm going to hand you, again, a document which we've now designated as Barbour Exhibit No. 4. It's a 23 letter on National Policy Forum stationery, your National [24] Policy Forum stationery, I guess. It has your name up in

ps the corner, anyway, is that personal or is that the Forum

[1] file that I think talks about-but what I know is that I had been told for some time there was going to be a contribution from a think tank on Taiwan or a foundation and it never did come in, and then, ultimately, I found out that it had, in fact, come in, in August. [5] Q: Who indicated to you that it was going to come? M Q: John Bolton? A: John Bolton [10] Q: Let's identify Mr. Bolton. Who is he or who was (11) he at the time? A: John Bolton by that time was the president of the [12] 13 National Policy Forum. Q: Okay What-[14] [15] A: President and chief executive officer. Q: What was his tenure? 116 (17)

A: John Bolton-there's correspondence, again, in the

A: From approximately the beginning of '95 through December of '96. Q: He had told-now, let me make sure I understand. (20) He had told you to anticipate that at some point a check would be coming in from the Pacific Cultural Foundation. Is that right?

[22] MR. O'DONNELL: Mr. Baron, let me object again on (24) the grounds that this check and this line of questioning has izsi nothing to do with the elections and the scope of the Senate

Page 29 (1) stationery, generally?
(2) A: I believe, I would think, it's the Forum 13) stationery, in general. I see it's got John Bolton's name up there, too. Q: Right. August 22, 1996, is the date, and it is from you to the Honorable Jason C. Hu, H-u. Would you look [7] at that, please? A: Right. That's right. Q: Do you recognize that document? A: I recognize it from having seen it in the-in the [11] NPF files after the custodian went through them.
[12] Q: Do you recall the document independent of that as [13] something you sent down to Ambassador Hu? (14 A: No. Q: Do you know why you sent a-let me have it for a 119 moment-a thank you letter, which I think we could [17] characterize this as being-A: I think that's what it is. Q: -to the Honorable Jason C. Hu as representative of the Taipei Economic and Cultural Representative Office in Washington in response to a check from the Pacific Cultural Foundation? I guess my question is, what, to your knowledge, is the relationship between Mr. Hu and the [24] Pacific Cultural Foundation? A: I am sure that the letter is addressed that way

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[1] because that's the way the National Policy Forum staff did it. I mean, I don't have any independent recollection of (3) this letter except that I saw it in the files when the

(4) custodian was putting them together. Q: And I take it, you have no independent er recollection why the thank you letter for that contribution was addressed to Mr. Hu?

A: I had no-I have no independent knowledge, don't recall any contact with him about this.

Q: Was there any further contact or correspondence [11] with the Pacific Cultural Foundation or with Mr. Hu

[12] subsequent to August of '96? A: This is the only document I'm aware of that for [14] me-and I wouldn't have known about this except that it was (is in the file.

Q: Right. Have you ever talked to Ambassador Hu, 28 [17] far as you know!

A: I have talked to him, but I've never talked to him about Pacific Cultural Foundation or giving to the National

rig Policy Forum.

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Q: You started to tell us about foreign contributions, and then we went to the Pacific Cultural Foundation. Any other foreign contributions that you are aware of that came into the National Policy Forum

25 during-well, during its life?

A: To my knowledge, there were no other contributions 14 proces a foreign source. Q: Now, at the time that you and Mr. Baroody and Mr.

Hill were discussing the possibility, and perhaps with others, the possibility of raising money from foreign sources, was there any discussion as to who might be solicited among potential foreign donors?

A; Yes. Q: Could you tell us who they were? A: Multinational corporations. We expected U.S.

[11] multinational corporations to contribute, and the U.S. subsidiaries of non-domestic multinational corporations, and (13) we talked about non-domestic multinational corporations

[14] generally. Q: Were there any in particular that were perceived [18] as potential sources of this kind of contribution? A: The same sorts of people in other countries that

[10] would be the equivalent of the big corporate America [19] Toyota, Fiat, Mercedes Benz, those types of corporations which could legally contribute to the National Policy Forum. Q: Do you know whether attempts were made to solicit [21]

ger money from those corporations or others like them, whether (23) they were successful or not? A: There were none that were successful.

Q: Okay, but am I correct that there were attempts to

[1] solicit them, but maybe unsuccessful attempts? A: I do not know that any of them were ever is specifically asked, but people who represented those companies in Washington were reached out to and asked about is, and they reported back that those multinational

corporations just weren't interested. Q: When you say people who represented them in Washington, would these be either attorneys or lobbyists who Ø represented those multinational companies in the city? (9)

A: That's right. [10] Q: And it's your understanding that attempts were [11] made to solicit contributions and that you were basically (13) told they weren't interested?

A: Again, I wouldn't characterize it that way. [14] Q: I'm sorry. I don't mean to mischaracterize it. [15] Go with your words. [16] (17)

A: I reached out to three people who represent a lot of these big multinationals and told them about the National [19] Policy Forum and asked them to reach out to their clients, [20] and each of the three came back to me and said their clients

weren't interested. [21] Q: Can you tell me who the three people are you [23] reached out to? A: Yes, sir

MR. O'DONNELL: Let me object again because I

Page 30 (1) don't see any relationship between this and the mandate, and we are only going to go so far down this line, Mr. Baron, in unless you can get into the 1996 elections, but you can go (4) ahead and answer the question.

THE WITNESS: Senator Bill Brock, Bill Timmons, and Stan Anderson. BY MR. BARON:

Q: And they are lobbyists in Washington or attorneys in Washington? A: Yes. 110

Q: One or the other? [11] A: Yes, and I spoke to each of them and got the same (12) 1137 response over the next few weeks or months from each one of

(14) them MRL BARON: Let me have this marked. 119 (Barbour Deposition Exhibit

[17] No. 5 marked for identification.) BY MR. BARON: [19] Q: Mr. Barbour, I am going to show you what has now

211 been marked as Barbour Exhibit No. 5 and ask you to take a Do you recognize the document? Please take your

gay time. There is no rush. MR. O'DONNELL: Please take your time to read the

[1] entire document, Mr. Barbour. [Witness perusing document.] BY MR. BARON:

> Q: Have you had a chance to read it? A: Yes, sir. Q: Olay. Do you recognize the document?

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Q: It purports to be a memo, a confidential memo to you from Mr. Baroody dated June 28, '94, to accompany his June 26th letter of resignation as president of NPF.Am I [11] correct? Is that what you understand it to be?
 [12] A: Yes, sir, That's what it says right there.

Q: Right. I would like to go through this with you [13] (14) and ask you a few questions about it. Looking at the second paragraph, he says in there, and I'm going to quote-I'm (16) just going to direct your attention to it-"We also

(17) discussed your belief that considerable money could be is raised with this effort from foreign sources. I fold you as a again even before starting at NPF that I thought you were gos right about the possibility foreign money could be raised,

[21] but thought it would be wrong to do so. The idea 123 nonetheless, seemed to hold some fascination and continued 231 to be discussed until well after Denning came on the scene." Do you recall this discussion that Mr. Baroody is

alluding to in this memorandum concerning the possibility of Page 35

[1] raising foreign money in his position in that regard?

A: I don't recall the specific discussion that he's referring to because I don't know, but I know that I did

talk to him about the fact that NPF could raise foreign funds as we discussed earlier. Q: Do you recall him taking the position that he

opposed it, as he puts it here, that it would be wrong to do [7] 50 [4] A: No, sit.

Q: So it's your testimony that in the discussions

concerning the possibility of raising foreign money with Mr. Baroody, he did not take the position that he believed he was wrong to do so, for whatever reason? [13] A: I don't recall him doing so. [14]

Q: Right [15] I don't doubt it, but I don't recall him doing so. [16 [17]

Q: Fair enough. He goes on to say, The idea, nonetheless, seemed to hold some fascination and continued to be discussed until well after Denning came on the scene." 1159 Was this an ongoing topic, that is, the possibility of

(21) raising foreign money? A: As I said to you earlier, I reached out to some

people and didn't hear back from them for some time, but, you know, if that's ongoing, I'm not-you know, I don't know that I would-how long is ongoing. What we did, we did

reach out to these people to try to see if it worked.

Q: He refers as a time frame-he says until well Ler Denning came on the scene. Who is Mr. Denning?

A: Dan Denning was ultimately Mike's successor as the is chief operating officer. He came to work at NPF while Mike was still there.

Q: Do you recall about when that is? Because he talks about until well after Denning came on the scene. Can you give me a time frame for that?

A: In '93 sometime, but I can't tell you a date.

[10] Q: Let's go to the second page of the memorandum, if [11] [12] we could. Mr. Baroody says at the second full paragraph on (13) the page, and I'm quoting, I believe that what has happened [14] over many months has undermined my efforts, distorted our purpose, blurred the separation of RNC and NPF in such a way as conceivably to jeopardize our 501(c)(4) application and [17] has occasioned the inexcusable heavy-handed treatment of [18] volunteers with the NPE" Do you see that?

A: Yes.

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Q: Did you have discussions with Mr. Baroody during [21] his tenure while you were both involved with the National [22] Policy Forum about these issues that are raised in that [23] paragraph?

Let me focus the question a little more. He 124

refers specifically to blurring "...the separation of the

Page 37

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Page 36

[1] RNC and NPF in such a way as conceivably to jeopardize our 501(c)(4) application "Do you recall discussing that as an issue between you and Mr. Baroody?

A: The only occasion that I recall discussing it with him, I disagreed with his concern. He never said to me that he thought we had violated. He did on one occasion express his concern, that I recall. Ø

Q: What was his concern? Can you articulate it for

A: Yes, that at a policy forum at which a Democratic [11] member of Congress had been invited and agreed to serve on 112) what we called a listening panel-we had 60-something of these policy forums-that he was worried that letting [13] [14] Republican candidates for that seat also be part of the [15] listening panel was inappropriate. Q: Do you recall any particulars as to what forum ្រឡ

[?7] we're talking about? [16] A: Fresno, California.

Q: That's the one he refers to a little bit later [15]

down the page. [20] A: Congressman Dooley had agreed to appear, which was [21]

[22] fine. Q: He was a Democrat? [23]

A: Yes. And I had said that the other-the other candidates for the same office should also get to be on the

[1] listening panel.

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Q: He refers to the Fresno forum specifically in the [3] memorandum Let's go to that paragraph, if we may, a little [4] bit further down the page, and I'm going to read again to [5] make sure we're all looking at the same thing. "The Fresno in forum was a case in point. My strong view that our 501(c)(4) application required that we not respond to M pressure from party organizations either to cancel the event [8] or remove an invited 'listener' from the panel were in unequivocally shared by outside counsel to the NPF and [11] communicated by both of us directly to you. These concerns [12] were dismissed by you (and by one of your staff as so much [13] 'legal B.S.') and staff here were directed to respond to party pressures in a way I thought put our '(c)(4)' status [14]

is in jeopardy." Let's stop there.
is Was pressure brought from party organizations either to cancel the event or remove an invited listener from the panel?

MR. O'DONNELL: Let me object again, Mr. Baron, go and ask you to explain the relevance or pertinence of this event back before the '94 election to the 1996 elections and the mandate of the Committee.

MR. BARON: Well, I'm trying to understand the relationship of NPF to the RNC, and Mr. Baroody's memorandum 25] goes into some detail concerning some of those problems

Page 39 [1] because foreign money comes into the NPF or what we believe arguably is foreign money, and ends up at the RNC, and I think that the relationship between the two is important. MR. O'DONNELL: I don't see how these events

involving Mr. Baroody who departed the NPF prior to the '94 elections could have any relevance to the '96 elections,

but, Mr. Barbour, you go ahead and answer that question. THE WITNESS: I received a complaint that other

candidates for this congressional seat were upset that Congressman Dooley was allowed-was going to be allowed to [11] be on the listening panel and they weren't.

I thought it was great to have a Democrat

Congressman appear at one of our forums. At the same time, I thought it was only fair to let other people running for the same office appear, particularly since no electioneering by anybody is ever allowed at these forums and never was, or

sort of that was our policy that it never was. (173 BY MR. BARON: (181

Q: Well, I guess my question is, what happened? Did i i ta Dooley get off, or did the Republican candidates come on?
MR. O'DONNELL: If you know. [20] (21]

THE WITNESS: Yeah. I could tell you my 123 recollection.

BY MR. BARON:

Q: Well, if you would. **[25]** 

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A: My recollection is we invited the Republican candidates and Dooley said he wouldn't come if they did (21 that. Э

Q: And so what did-

A: He didn't come. [5]

Q: He didn't come. And did the Republican candidates П come?

A: I don't-I don't recall.

Q: When was 9

A: I didn't attend.

Q: Okay. When was this? Do you remember? The

(12) Fresno forum?

A: I can only tell you that it was between November of '93 and June of '94, but I think we've provided you a list of when all of the forums were, and so you can get it off of that list. (te [17]

My instinct-maybe I shouldn't say what my instinct is.

MR. O'DONNELL: Don't speculate. Don't speculate.

THE WITNESS: It ought to be on that list.

BY MR. BARON:

Q: I understand. I just wanted to get some sense of the time frame.

Let me go to the next page, if we could. At the gs; top of the document, there is a draft-there is a quote by

Page 41

[1] Mr. Baroody from a draft letter concerning the Fresno event. 27 Do you see that?

A: Yes, sir.

Q: In the second paragraph of this quote from the [5] draft, it says. In order to prevent the forum from becoming 18, a political event, Haley directs that Dooley be removed as a member of the listening panel and be invited to participate as a member of the audience."

Do you recall that as being, in fact, what

prophappened or-the way you described it, Dooley disinvited [11] himself, as I understood your testimony

A: Of course, I have never seen this document.

Q: The one I've shown, the Baroody memo?

The one he refers to.

Q: Oh, okay.

(15 A: But my recollection is what I've told you, that the forum invited or was to invite the other candidates for the same office to be treated the same by being on the 19 listening panel. That's my recollection-

Q: That's all I'm asking for. (20)

A: -of it. I've never seen this document.

[21] Q: Moving down the page, Mr. Baroody says, and I'm quoting, "Other examples underscore my concern that separation between NPF and RNC is a fiction." Did he ever 25] state that to you in those words in your discussions with

(2)

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Senate Committee on Governmental Atlairs

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Special Investigation

Page 42 [1] him-A; No. Q: -concerning your relationship? Q: He goes on. There is an example. He says the interim health care report was not released because it was thought that doing so would interfere with GOP advertising you had undertaken. Do you recall that incident? What is

A: I have a general recollection. I don't recall a 11] conversation with Mike about it.

Q: Right. Well, what is your recollection? Was the interim health care report held back, as he describes here?

A: That there was the initial report of our Health 15] Policy Council was very broad. It was all health care, and is it came up at a time there was some legislation in Congress 17] that was pending, and I told him to wait before the put out the health care report because I thought it would confuse the health care report and the legislation because it would an have been apples and oranges.

If you read Listening to America or Agenda for America and you look at the proposals the National Policy 239 Forum made on health care, you'll see why it would have been 24 confusing.

Q: Mr. Baroody goes on to say down toward the bottom

The sentiment of much of the staff here is that we are 124 operated like a division of the RNC. Was that ever a expressed to you by Mr. Baroody?

A: No. Not accurate, it was never expressed to me. Q: Would it have been accurate to characterize the relationship between the RNC-well, let me come back. Let in me come at it a different way. How would you characterize of the relationship between the RNC and the National Policy

ge Forum in your words?

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MR. O'DONNELL: What time frame are you talking [11] about?

MR. BARON: If it changed, I'd ask Mr. Barbour to [13] indicate. I assumed it was pretty much the same throughout [14] the existence of both, but if there is a time frame that's 115] significant, I would just ask Mr. Barbour to indicate it.

THE WITNESS: The National Policy Forum and the Republican National Committee were two separate [17] [18] organizations, but they were like-minded in terms of policy [19] issues, but the biggest relationship was that of debtor and (20) creditor.

54 MR. BARON:

Q: Were they affiliates?

A: No, sir. I would not characterize them as [24] affiliates.

Q: Just so we are all talking about the same thing

Page 44 [1] what do you mean when you use the word "affiliate" that you য়ে say were not an affiliate?

A: That because they were two separate organizations, legally and operationally, that they were not affiliates. The rules of the Republican National Committee

while I was chairman listed our affiliates.

Q: And NPF was not one of them?

Q: Do you find the fact that you were chairman of [10] both entities a factor in determining whether they were [11] affiliated?

A: No.

Q: Can you explain that?

A: I don't find it a factor in whether they were

[15] affiliated. [16]

[12]

[13]

[14]

[19]

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Q: We were talking earlier about foreign

[17] contributions. [16]

A: Are we through with this?

Q: Yes.

MR. BARON: Let use have this marked, please.

[Barbour Deposition Exhibit [22] No. 6 marked for

identification.] [23]

[24] MR. O'DONNELL: Mr. Baron, we have been going

25 almost an hour now. I would suggest a short break to get up

(1) and stretch.

MR. BARON: Whatever, Let me see. Hold on one by second. I want to put something on the record.

MR. O'DONNELL: Sure.

MR. BARON: I should have said this at the outset, 16] Mr. Barbour. Any time you want a break-there is a men's room right down the hall-to get something to drink or

whatever you need, please just let me know and we will be

happy to accommodate you.

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[11] BY MR. BARON:

Q: Mr. Rarbour, let me show you what has been marked (12 (13) as Barbour Exhibit No. 6. Just so you know, it is a check (14) that was produced to us by the Signet Bank drawn on the account of Panda Industries, Inc., pay to the order of the National Policy Forum, dated July 18, 1995, in the amount of

[17] \$50,000.

A: Yes, sir. (16)

Q: Do you recall receiving that check or that the

National Policy Forum received that check?

A: I don't personally recall its being received.

Q: Did there come a time when you became aware that

23 it had been received?

A: Yes, sir.

Q: When was that?

Page 46

Page 45

A: This year.

Q: What, if anything, do you know about Panda

Page 43

A: I have no firsthand knowledge at all. I had never heard of Panda Industries until-

Q: Recently?

A: Until I found out that they had made a

contribution.

Q: Do you know how this check or this contribution of \$50,000 came to be sent to the National Policy Forum, for example, who solicited the money?

A: Not of my personal knowledge, but-Q: What is your understanding, even if it's not

[14]

A: That Steve Kinney, who is a fund-raiser in

California-[16]

Q: Is it K-i or K-e? (17]

A: I believe it's K-i-n-n-e-y.

Q: Okay. [19] 1201

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A: -solicited the contribution.

Q: And he is a professional fund-raiser? [21]

Q: And by that, I take it, he would get a commission 124] relative to the amount of money he raises? Is that the way

25) it works, if you know?

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A: That would typically be the case.

Q: When you say professional fund-raiser, was he paid by the National Policy Forum? Did he have a particular relationship with the National Policy Forum, or is that just

sort of his general business and, if he raises money for an

entity, he gets it to them and gets paid for it? Is that question clear?

A: It was more of the latter that his firm helped one of NPF's consultants raise money.

Q: And who would the NPF consultant be who would have (1**0** [11]

had a connection with Mr. Kinney?

A: That he helped him raise the money?

Q: Correct.

[14] [15]

A: Joe Gaylord.

Q: Gaylord, okay. And what's Mr. Gaylord's relationship with the NPF, so I understand it?

A: He was a consultant to NPF for a couple years to

help raise money.

Q: What's the distinction, if 1 may, between a consultant to the NPF who helps raise money and Mr. Kinney who you described as someone who worked with a consultant to (21)

help raise money? Are they the same, basically?

Are Joe Gaylord and Steve Kinney the same? Q: In the sense of their function, as they are paid a

certain amount of commission or retainer or some sort of

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in remuneration in return for raising money for the National olicy Forum.

A: If I'm taking your question right, Gaylord was a [4] consultant to NPF, and he subcontracted to Kinney who [5] raised-who raised the money or Kinney's firm raised the [8] money.

Q: Okay, but they are basically trying to do the same М thing, raise money for National Policy Forum, and in return for doing that, they get paid on some basis? [9]

A: Yes, sir.

[10] [11] Q: Is it your understanding that Mr. Kinney raised (12) this particular contribution as a subcontractor, as you put [13] it, on behalf of Mr. Gaylord?

A: Yes, sir.

Q: Do you know a Mr. Ted Sicong, Sieong? [15]

A: No, sir.

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Q: Do you know a Jessica-I'm going to try to spell [17]

this-E-le-n-i-a-r-t-a? I believe it's Eleniarta, who I [18] (19) understand is his daughter.

(20) A: No, sir. To my-no, sir. To my knowledge, I have [21] never met either one of them.

Q: Did you have any discussion either with Mr. [23] Gaylord or Mr. Kinney about this check or about paying the

A: While I was at the RNC, I didn't even know this

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Page 50

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[1] check had come in.

Q: How about since then, more recently when Panda industries had become in the news?

A: I have not talked to either one of them.

Q: Have you talked-just to be clear, if the answer is to my question involves a conversation with counsel, do not [7] answer, okay, but have you talked to anyone other than your counsel concerning this contribution, that is, the Fanda

Industries contribution?

A: The only reason I'm aware of this is a reporter called my office to ask if we had received a contribution from and I did not talk to the reporter. That's the only [13] reason I knew that the contribution had been raised.

[14] **Q:** In July of '95-A: But I haven't talked-[15]

Q: Oh, I'm sorry. [16] A: -to Joe or Steve. [17]

MS. CAIN: Pardon?

THE WITNESS: I had not talked to Joe or Steve [19]

(20) about it. [21]

(22)

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[7]

BY MR. BARON: Q: In July of '95 when this check came in, you've said it didn't come to your attention at that time. To (24) whose attention would it have come in the normal course of

25] the operations of the National Policy Forum?

A: Either to the Finance director-

Q: Who would that have been at that time? 121 A: Either Diane Harrison-but I can't think of her [4] married name-or-she was the Finance director, but I can't [5] remember exactly when she started. I think by then that [6] Kelly Guesiner had left.

Q: By this time?

A: Yes, sir, I think so, but it could have come to [9] the Finance director. It could have come to the controller.

 Q: Who would that have been? Do you recall?
 A: Probably, by that time, Steve Walker. It could (111) [12] have gone straight to John Bolton. It could have gone to

[13] somebody in John's office. I mean-Q: So you're not sure?

[14] A: I didn't try to get involved in the day-to-day operations of the Policy Forum, sir. I don't know exactly [15] [16]

(17) who it would have been sent to.

Q: Let me ask you this. Did the Policy Forum at any time have some process for-l'il use a term I assume you're familiar with-vetting checks to determine either legality or propriety of the source of the money? [22]

A: I'm not aware. The RNC has a very extensive-I am not aware.

[23] Q: So you don't know of any such process in place at the NPP?

A: Em just not aware of whether there was or wasn't.

[Pause.] BY MR. BARON:

Q: Mr. Barbour, let me show you a document that we'll mark as Barbour Deposition Exhibit No. 7. I will show it to

I'm going to show you another document in

conjunction with this.

A: Shall I look at it? [10]

Q: Please, go ahead.

MR. O'DONNELL: Take your time and read the [[11]

(12) document.

MR. BARON: Let's mark that. (131 [Barbour Deposition Exhibit (14)

115 No. 7 marked for

[19] identification.]

[17] BY MR. BARON:

Q: I'm going to give you another document that you 115 can look at in conjunction with it. They do go together 120 sort of.

Barbour Deposition Exhibit [21]

No. 8 marked for [23] identification.]

[24] BY MR. BARON:

Q: This is Barbour No. 8.

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MR. O'DONNELL: Mr. Baron, which one do you want

2 him to read first?

MR. BARON: Well, in a sense, it might make more sense to read No. 8 and then go back to 7. Eight is a ruling by the IRS, and 7 is an appeal from that ruling. So it might make sense to do it that way.

[Witness perusing document.]

THE WITNESS: Do you want to ask about 8 before we

do 7, or do you want me to read 7?

BY MR. BARON:

[10] Q: Well, you might want to look at 7, also, and kind [11] (12) of put them altogether.

[Witness perusing document.]

MR. MADIGAN: Do you have some page of the [15] document that you want to refer him to?

BY MR. BARON: (16] Q: My questions will be relatively brief, but I [17]

thought in fairness, if he hasn't seen the document and his counsel hasn't seen it or are unfamiliar with it, they ought to have a chance to read it. I don't want to shortcut the 1201 amount of time that they want to spend on it.

MR. MADIGAN: It's your time. 122

MR. BARON: Unfortunately, I'm not getting paid by the hour. I just want to be fair about it. **/24**3

[Witness perusing document.]

Page 53

BY MR. BARON:

Q: Have you a chance to look at it?

A: Yes, sir.

[4] Q: I think the record should reflect that these are two fairly lengthy documents, and that both Mr. Barbour and

his counsel have had, I would guess, around 20 minutes or so. If you want any more time, you certainly can have it. [7]

Do you feel you have had adequate time to look at them?

(VI [10] A: Yes, sir.

Q: Okay, thank you.
MR. MADIGAN: More like 10 minutes, I'd say. 112

MR. BARON: I'm sorry?

[13] [14] MR. MADIGAN: It's more like 10 minutes. MR. BARON: Oh, well, whatever it was. It felt 115

pa like 20.

BY MR. BARON:

[17] Q: Mr. Barbour, I know you are a lawyer, but I am not asking for your legal conclusions on any of these matters. 118 [19] It is really just some factual things I'm concerned about. 201

Would you look at what's been marked as Barbour [21] [22] Exhibit No. 8?

A: Yes, sir.

(23) Q: Now, we can agree that that is an IRS rejection of 251 the application of the National Policy Forum for recognition

(11) Page 48 . Page 53

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Special Investigation

Page 54 Page 57 [1] as a 501(c)(4) entity. Is that correct? A: That's what it says, Yes, sir. A: Correct. Q: Okay, thank you. Z G: On page 12 of that document, down in the last five inless, and I'm quoting, "You have not indicated sy whether"-after reciting that many Republican political Mr. Barbour, I'd like to turn to-oh, I'm sorry. [4] Let me ask you one more question before I turn to another (5) subject. is figures were speakers at forums of the National Policy A: Sure. Forum, it goes on to say, "You have not indicated whether Q: Are you aware of any other paid fund-raisers or consultants who worked for the NPF? You mentioned Mr. [8] individuals affiliated with other political parties were invited to be speakers at your forums. Gaylord and Mr. Kinney who worked with him in some capacity. I'm just asking you as a factual matter. We Anybody cise you're aware of? A: Whoever was paid for fund-raising? [11] discussed earlier the situation concerning Congressman [11] Dooley. Are you aware of any other instance in which people Q: Right. [12] 113) were invited to speak at NPF forums who were not members of (13) A: Yes, sir. [14] the Republican party, just as a factual matter? Q: Can you tell us who that is? [14] A: Yes, sir, there were other instances. A: Fred Volcansek, and I believe there was a time **[:5]** 1151 Q: Do you recall what they were? 116 after Dan Denning left his full-time job that he may have A: I recall that Congressman Tauzin spoke at a forum. been paid on a consultant basis. 1171 [17] 110 I believe while he was a Democratic member of Congress. Q: By the NPF? (16) I recall that Gerald Levin, the CEO of Time [19] A: Yes, sir. That's his full-time job at the Warner, spoke at a forum-actually at a big conference, and [20] National Policy Forum. Yes, sir. [jij] I understand him to be a Democrat. [21] Q: Right. Let me show you a document which I think And I'm confident that many of the other people we marked as No. 9. 22 who spoke or participated that are Democrats, those are just A: Am I through with this, sir? Q: Yes. 124 two that come to mind. Q: There is also a reference in here that there was (Barbour Deposition Exhibit Page 55 Page 58

Q: There is a reference in there, and I am going to

17 being the National Policy Forum, more than \$2.5 million

A: As of this time-at the time they were doing this

A: Yes, sir, but that perhaps 2.5 million is right at

Q: Right, but at the time they were evaluating the

since your formation." Is that an accurate statement,

[11] work, that may have been right. I believe the figure was

quote, "The Republican National Committee lent you," you

pf support," et cetera. Do you see that?

since your formation." Is that is factually, as far as you know?

Q: Ultimately?

[17] National Policy Forum?

A: Yes, sir.

[12] larger

[13]

(16)

(18)

[19]

[21]

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in no showing that the-it says-I am looking now on page 11, zi the first full paragraph, beginning "Your financial

[1] No. 9 marked for [2] identification.]

BY MR. BARON: Q: Let me show you what I have marked as Barbour

Exhibit No. 9. [Witness perusing document.]

BY MR. BARON: M Q: Have you seen that document?

[11] [12] A: Yes, sir. (139

[15] A: No six. [16] Q: You have read it? [17]

A: Yes, sir. (180

27

(22) COLLECT!

Page 56

Q: The paragraph goes on to say, "Although the [20] financial support was in the form of loans," I'm quoting [21] now, "there was no indicating that the terms of the loans reflect commercial market rates. To your knowledge-again, I'm asking as a factual

A: Maybe so. That would have been in 1995, I guess.

[24] matter-do you know whether the loans were what were then 25 the commercial market rate?

[15] the-it's not right at the time this letter is dated.

A: The protest letter says the loans were at prime plus one and a half. [2] Q: Is that-A: I can't verify that of my own knowledge, but (5) that's what the protest letter says, the loans were

in prime plus one and a half. Do you want me to find it for your Ø A: No, no. I saw it, on page 11 of the appeal. Let's check that, it's page 11, I think, of the appeal. (4)

A: I think that's right. I think it's actually [10] [11] called a protest, somebody told me. [12] Q: Yes, I'm sorry. It is a protest. I'm not a tax (13) lawyer

A: But yes, sir, it is on page 11 where the protest [14] [15] letter notes that the loans were at prime-plus-one-and-a-half, which I do not know of my own [16]

Q: There is a verification at the back of the [18] protest. The Bates number is NPF003281. Do you see that? A: Yes, sir. 1201

Q: And is that your signature there?

[17] knowledge, but assume is correct.

Q: It says that the factual information contained in the protest is, to the best of your knowledge and belief, true, correct, and complete. Is that correct?

Q: It's a memorandum for you from Mr. Denning dated March 25, 1994; is that correct? Q: Do you recall receiving this memorandum as we sit [14] here?

Q: I know the document speaks for itself. Would you (19) agree with me that it talks about the maturation date of a loan agreement between the RNC, NPF, coming up at the end of [21] April, and they are asking for an extension? Is that

A: Yes, sir. Q: Did there come a time thereafter when an effort was made to arrange for a loan by the National Policy Forum

[1] from some banking institution or some other financial entity? Let me stop there. A: Yes, sic.

[14] that a fair something?

Q: There did come a time. When was that? A: It actually came to pass in October. Q: When were the efforts first begun to do that?

A: In the late spring or early summer. Q: Of '94? A: Yes, sir. It was 1994.

Q: Is it fair to say that given the financial [10] circumstances of the National Policy Forum that the Forum itself did not have sufficient assets to go to a bank and [13] make a substantial, shall we say, seven-figure loan? Is

A: You would have to ask a banker, but that's what actually happened. Q: Ultimately, what it turned out is you were looking for someone to guarantee a loan. Is that accurate?

A: To make a loan or guarantee a loan.

[19] Q: You mentioned Mr. Volcansek as a paid fund-raiser [2:] for the National Policy Forum A: [Nodding head up and down.] 22

Q: You have to say it. We can't get the head nods. [23 Yes. I did mention Mr. Volcansek. [24] Q: First of all, when did Mr. Volcansek become a paid

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[16]

[17]

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in fund-raiser for the National Policy Forum, if you know, pproximately? A: My recollection is he was a volunteer for a long [4] time before he was ever paid, and I don't recall when he is started getting paid, but it was-he had helped a long time (e) as a volunteer. Q: There comes a time when he does get paid? A: Yes, sir, and I can't recall when that was. Q: We may be able to figure that out as we go. [10] Who is Mr. Volcansek? How do you know him? A: He was a friend of Dan Denning is how I met him. 1111 [12] I had never known him before. Q: Do you recall approximately when you first met (13) [14] him? A: Spring or summer of 1994. [15] Q: '94, olay. And-[14] A: This is the first time I ever recall meeting him. [17] Q: Was Mr. Volcansek given the assignment of trying [18] to generate either a loan or a loan guarantee for the ual

National Policy Forum around this time? A: Of trying to help locate a prospect, be it a lender or guarantor.

Q: Who engaged him to do that? Was it you or Mr. Denning or some combination?

A: Dan really recruited him.

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Page 61 Q: Did you have any discussions with Mr. Volcansek as to what you were looking for him to do? A: Yes, sir. Q: Can you just describe that to me generally? A: I don't have a specific recollection of a meeting in on a certain date, but-Q: No, I'm not asking for that. Just your best A: But the National Policy Forum needed to restructure, and we were looking for somebody who would be a (11) donor-I'm sorry-a lender or a guarantor of a substantial

[12] loan. Q: Did Mr. Volcansek have or was he given a list of [13] [14] prospects whom he would solicit or might solicit to fill ps that role?

A: Not to my knowledge, he was not given a list of [16] [17] prospects.

Q: Let me hand you a document that we are going to [18] make as Barbour Exhibit 10. I ask you to take a look at [20] that

[Barbour Deposition Exhibit [21] [22] No. 10 marked for

iza identification.]

[24] [Witness perusing document.]

25 THE WITNESS: Okay.

BY MR. BARON:

Q: Have you seen this document before today? A: Have I seen it before today? I do not know if I (4) saw this document at the time. It's dated July 28, 1994? Q: Right. (6)

A: I'm not sure I saw it at the time.

MR. O'DONNELL: Mr. Baron, we would object, of course, as you noted earlier, to any discussions or m presentation of documents to Mr. Barbour by counsel in the (10) course of preparing for his testimony today. BY MR. BARON: [11]

Q: Oh, no, I'm not asking for discussions with your counsel at all. This is a document dated July 28, 1994, on [13] the stationery of Mr. Fred Volcansek, right? [14]

A: Yes

[12]

[15]

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[22]

Q: And it's headed Talking Points for Haley Barbour.

A: Yes, sir. (17)

Q: Even if you haven't seen this specific document, do you recall any conversation with Mr. Volcansek along the lines of talking points for you in anticipation of some event? [21]

A: Yes

Q: The talking points that you recall, whether it was in its written form or in a verbal conversation with Mr. Volcansek or anybody else, did they pretty much follow these

(1) pointe

A: I'm not sure every item in there, but I recall his talking to me to prepare for my calling Dick Richards. 131 Q: And Dick Richards, can you identify Mr. Dick

Richards? (5)

A: He is a former chairman of the Republican National Committee. He's from Utah.

Q: Was it Mr. Volcansek's idea that you should

contact Mr. Richards? 9 1101

A: Yes.

Q: Why did you understand or why were you led to [12] believe that it was relevant for you to contact Mr. Richards may in conjunction with Mr. Volcansek's efforts at fund-raising?

A: Because Mr. Richards was president of Young

119 Brothers Development USA and because he represented Ambrous (18) Young, the head of the family that was Young Brothers or

[17] that I believed to own Young Brothers USA.

Q: If you look at paragraph five of the talking points, it says-and it's one of the proposed talking

points-it says, and I'm quoting, "We'd like to propose a

201 loan from Ambrous Young's family to the NPF which will allow

1221 us to free up the money previous advanced to the NPF and (23) make it available for the elections. Pledges are coming in

pay steadily, but not in the amounts or in the time necessary to

[25] accomplish the goals we have set which would appear to be

Page 64

Page 63

[1] truly attainable."

Without sticking to the literal text, was that one of the proposals that you wanted to make to Dick Richards and, in fact, did make to Dick Richards relative to Ambrous Young and his family?

A: For Young Brothers Development, it says here a

loan to NPE m

Q: Right. A: And I cannot tell you whether at that point we were talking about a loan or a loan guarantee, but we did

[11] talk about a loan from Young Brothers Development-[12]

Q: Okay.

[13] A: -to the National Policy Forum so it could [14] restructure its debt.

Q: Well, the debt that we are talking about to be [[13] restructured was from the RNC to NPF, correct?

A: 'That's right. The National Policy Forum had 1171. (18) borrowed some \$2 million. I'm not sure what the number [19] would have been on this date-

Q: I understand that.

A: -but some \$2 million from the Republican National [21] Committee. 22

Page 82

Q: And the idea-and please, I don't mean to put [24] words in your mouth. I'm going to state it.

A: I know you don't.

Page 65

Q: I'm sure you won't let me put words in your mouth, and neither will your lawyers, but let me see if I've got it right. The idea was that for the National Policy Forum

4) either to borrow the money directly from Ambrous Young or is somebody else or to have a loan guarantee which would permit in the National Policy Forum to make a loan, say from a bank,

[7] to pay back all or part of the money that it owed, it being the National Policy Forum, to the RNC. Is that a fair

statement?

A: For Young Brothers Development to either loan

[11] or-to either lend or guarantee a loan.

112 G: So that the money could go from-money would be 113 freed up to go from NPF to the RNC to pay off all or part of 114 the money that the NPF owed to the RNC. Is that accurate?

A: And for the National Policy Forum to operate

(in through the end of the year. (177

MR. BARON: Let's get this marked.

[Barbour Deposition Exhibit

No. 11 marked for

identification.l £201

[Witness perusing document.] (21)

BY MR. BARON:

G: First of all, have you seen not the first sheet, 134) but the document attached to it which reads at the top, 28 National Policy Forum Proposal for Ambrous Young, Monday,

(12) Dans 60 . Dans 65

CONFIDENTIAL Special Investigation July 19, 1997 Page 66 [1] August 15, 1994? Have you seen that before? Now, I don't A: Actually, it's autopen, but it's my letter. mean in terms of being shown by your counsel, but I mean on Q: Okay And there is an attachment to it that's [3] or about August 15, 1994. referred to in the body of the letter. It says, "Finally, I A: I have no recollection of ever having seen this at am enclosing a fact sheet about the National Policy Forum, [5] that time. There's a-never mind. its work, and its financial situation," and am I correct Q: If you look down toward the next-to-the-last in that the following two pages are the fact sheet that is m paragraph, it reads as follows, "What the NPF needs from you referred to in your letter? m is a three-year loan guarantee in the amount of \$3.5 million A: Yes, sir. 191 to either Chase Bank or Citibank." Q: Now, had you met Mr. Young prior to July of '94? At that time, do you recall that what was sought A: No, sir. M [11] from Ambrous Young was-or the Young family or some Q: It seems from this letter that by the time you [12] Young-related entity was that much money, \$3.5 million, or (12) Write this letter on August 30, 1994, you have met him. Is [13] guarantee of that money? is that correct? A: I think when the idea started that that figure was A: Yes, sir. Yes, sir. 1143 spoken of, even before Young Brothers Development had been Q: What was the occasion in which you met him? វេទា [16] suggested to me as a prospect. A: We had dinner. 51**6** Q: Where was that? Which city? I don't care which Q: Going on down further in the paragraph, it says, [17] "Chairman Barbour is committed to continuing his restaurant. 118 fund-raising efforts on behalf of the NPF's work and fully A: Sam & Harry's. Washington, D.C. 20 intends for the NPF to repay the loan. However, if there is Q: Do you recall about when that was, relative to (it) any default in loan payments by the NPF, he will authorize (21) this August 30th letter? the guarantee of the RNC and ask for the Republican National A: A few days before this letter was written. Committee's ratification. As chairman of the RNC and the Q: Do you recall who was at the dinner? Best you can NPF, he intends to be certain that neither organization poq recall. es defaults on its obligations." A: I may not be able to recall everyone, but Ambrous Page 67 Page 70 Is that a fair statement? Even if you haven't [1] Young, his wife, his son Steve, Dick Richards, Steve seen this document, is that a fair statement of your [2] Q: That's his nephew? position regarding a possible default? A: Uh-huh, and apparently, his business partner or A: No. works in his business. Q: How is it incorrect? A: The RNC was never going to guarantee a loan, Fred Volcansek, me, maybe Dan Denning. Q: Well, it says if there is a default. Q: Okay. A: It says, "...he will authorize the guarantee of A: And I can't say to you that that's everybody that the RNC "That's not accurate. was there, and I can't even say to you I'm sure each of not those was there, but that's who I think was probably there. Q: If there is a default in loan payments by NPF. f 100 It's one sentence. Q: Your recollection squares pretty much with other [11] [12] people's recollection of who was there.
[13] What was discussed, if you recall? What was the A: Well, that's not-[12] Q: That's not accurate? [13] [14] discussion at the dinner, as best you can recall, putting [15] aside social chitchat? Let me rephrase it. Any substantive A: That's not accurate. [14] Q: Okay. And it's your testimony that you have not ft**S**i 1181 discussion about the Young-Ambrous Young or his family or 1171 some entity connected with Ambrous Young, either making a (16) seen this document before, as best you recall? A: I don't recall seeing this document at the time. [17] Q: Is it your testimony that the only time you recall lean or a loan guarantee to the National Policy Forum? 1140 [16] A: Yes. 115] seeing it is very recently in conjunction with meeting with [198 MR. O'DONNELL: Let me just object. Mr. Baron (20) counsel? [21] that's an awfully broad, sweeping question, in the first MR. O'DONNELL: I'd object to that. I will not go 1211 place, and in the second, I just would remind you once again [22] into state whether or not Mr. Barbour saw it in preparation that these '94 communications really have nothing to do with (23) for his testimony MR. BARON: Fair enough. Fair enough. the '96 campaign, but, Mr. Barbour, if you can recall the MR. O'DONNELL: -but he told you he did not see 25) question, you can go ahead and answer it. Page 68 Page 71 MR. BARON: I'll rephrase it if it's confusing. (1) it at the relevant period of time. BY MR. BARON: BY MR. BARON: Q: I don't care how was your flight, that sort of Q: Have you seen it at any time other than on or question. I'd just like to know whether there was any about August 15, 1994, when it was not being shown to you by discussion of a substantive nature that you recall concerning the possibility of Ambrous Young or any entity (5) your counsel? A: i don't recall. connected with him either making a loan guarantee or making MR. BARON: Let's have this one marked. Barbour Deposition Exhibit a loan to the National Policy Forum. No. 12 marked for A: Yes. It was discussed about Young Brothers 10] Development USA to consider guaranteeing or making the loan [11] BY MR. BARON: (11) to the National Policy Forum. Q: Now, there is a reference here to Mr. Young Q: You have been handed—I'm sorry. Are you ready? (12) agreeing to write an article for the winter 1995 edition of [13] [14] Commonsense, the NPF Republican journal of thought and

[10] identification.]

A: Yes, sir.

(14)

(15

[17] [18]

[19]

(20)

Q: You have been handed what has been marked as Barbour Deposition Exhibit No. 12. Why don't you take your

time and take a look at that. [Witness perusing document.]
THE WITNESS: Yes, sir.

BY MR. BARON:

Q: First of all, that is a letter from you dated [21] August 30, 1994, to Mr. Ambrous Young. Is that correct? A: That's correct.

Q: Do you recall sending that letter? Well, let me [24] back up. Is that your signature on the second page? Let's

25 start with that.

article or two articles in that regard? A: He did. Q: Now I want to show you another document which I'm

Q: Do you know whether, in fact, he did submit an

[15] opinion on trade, economic, defense, and diplomatic

is he would like to write an article. I don't specifically

relationships in the Far East. Do you recall that coming up as part of the discussion at the dinner?

A: I don't specifically recall, but I did ask him if

recall it was at this dinner, but I did ask him to write

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[17]

[21] such an article.

Miller Reporting Company, Inc.

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[11 going to identify as Barbour No. 13. (Barbour Deposition Exhibit

o. 13 marked for [4] identification.]

[5] BY MR. BARON:

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Q: Why don't you take a look at that document. [6]

[Witness perusing document.] (7)

THE WITNESS: Okay. [8]

By Mr. Baron:

Q: This is a letter dated August 30, 1994, the same [10] [11] day as the letter that we just looked at to Ambrous Young, [12] to Mr. Benton Becker. Would you look on the second page? There is a signature. Is that your signature? [13]

A: I think it's an autopen. [14]

Q: Okay, but this is your letter, is it not? [15]

A: Yes, sir.

Q: Am I correct that Mr. Becker, you understood, was [17] (14) serving as counsel to Mr. Young or the Young Brothers [19] Development in connection with this transaction? Is that (sal correct)

A: That's correct. [21]

Q: How did this letter come about? Let me rephrase it. What prompted you to write the letter? Is that a [24] better question?

A: I'm trying to remember. Well, I don't have a

Page 73

(1) specific recollection. I believe it to be the product of either Dick Richards or somebody saying to write their lawyer, Benton Becker, to tell him what we're proposing so m he could review it for them.

Q: Let's look at the content of the letter.

A: I don't remember a person telling me that, but that's-

Q: Was this letter requested of you?

A: That's my recollection.

Q: And do you recall who asked you to send it?

A: I don't recall specifically who asked me to send [12] it, but it appears that it came out of that meeting, but I [13] just don't have a specific recollection who asked me to write the letter.

Q: The meeting, do you mean the dinner meeting you (+5] [18] described earlier?

[17]

A: Right. Q: It says in here-I am now looking at the third [18] [19] full paragraph on the first page-Because NPF is separate [20] from the Republican National Committee, the RNC is not [21] automatically responsible for its debts. Nevertheless, I am [22] committed to making sure NPF raises sufficient funds to (23) cover its operations and to pay off any and all its debts."

[24] I think it looks like a word I dropped there. Moreover, as [25] chairman of the RNC, in the event NPF defaults on any debt,

[1] I will ask the Republican National Committee to authorize me to guarantee and pay off any NPF debts. I'm confident the [3] RNC would grant me such authority at its next meeting [4] provided there is valid outstanding debt of NPF to a U.S. 5 bank or other lending institution guaranteed by a U.S. 6 citizen or domestic corporation." Do you see that?

Q: Does that connect up with the language you looked at earlier where you talked about-maybe we ought to go back [10] to that exhibit. The National Policy Forum proposal for [11] Ambrous Young that we looked at earlier is part of Exhibit

[13] Allibrous roung that we looked at earlier is part of exhibit [12] 11, in which the language there is the language there is, [13] and I'm quoting, "However, if there is any default in loan [14] payments by the NPF, he," meaning-referring to you, Mr. [15] Barbour, "will authorize the guarantee of the RNC and ask [16] for the Republican National Committee's ratification. As

(17) chairman of the RNC and NPF, he intends to be certain that in neither organization defaults on its obligations.

The language is somewhat similar. Are they

(20) connected in some way? MR. O'DONNELL: If you know. [21]

19

[53]

MR. BARON: Always if he knows. THE WITNESS: The language is somewhat similar.

[24] This is-Exhibit 11 is something somebody else wrote.

Q: Prepared by Volcansek?
A: And Exhibit 13 is my letter.

[2]

Q: Well, that leads to the question. Did Mr.

Volcansek have any input in the content of your letter of August 30th, which is Exhibit-

A: Thirteen.

Q: -13? [7]

A: He may have been, instead of Dick Richards. He my may have been who asked me to write Becker. As I said, I

don't have a specific recollection who asked me to write.

Q: Apropos of that, did Mr. Volcansek-was he paid a 27 13 fee in connection with the obtaining of a loan guarantee [13] from Ambrous Young-I'm sorry-from Young Brothers

Development USA? (14)

A: My recollection is at this time he was still

working as a volunteer. Ultimately, he was compensated on a [17] monthly basis for a period of time, but my recollection is

my that at this point, that was prior to his becoming on a

(19) compensated basis.

Q: When he was paid compensation ultimately, was it 120 connected to the fact that he was ultimately successful in having Young Brothers USA guarantee the National Policy

त्यम Forum loan?

(24)

A: You mean was it a per se commission?

Q: Yes.

Page 76 A: It wasn't a per se commission. It was-I mean, he (2) had worked hard and done well and wanted to be compensated (3) some. So we compensated him some.

Q: Weil, let's talk about that. What was the

compensation arrangement that was entered into with Mr.

Volcansek at some point, when you say he stopped being a volunteer?

A: My recollection is he got paid \$5,000 a month for a relatively brief period of time, a few months.

Q: Was that to be paid to him regardless of whether [11] he generated any contributions? Was a retainer to be paid

(12) not based on what he raised, but he got it each month?

A: There was no commission. Are you saying there was [13] [14]

Q: Let me rephrase it. Was the \$5,000 a month 115

contingent upon him raising a certain amount of money to get the \$5,000 or he got it regardless of whether he raised any (18) money?

[19] A: It was not contingent.

Q: Mr. Barbour, who is Henry Barbour?

A: Henry LeFlore Barbour is my nephew, if it's the [21]

same Henry Barbour. Henry Barbour-I have a nephew named Henry Barbour.

[24] Q: And does he work for the-or did he work for the

A: He worked for the Republican National Committee 2; for about two years.

Q: Was that a time when you were chairman?

A: It was.

[4]

[5]

(12]

Q: What was his job?

A: Director of the Team 100 program.

Q: In a nutshell, the Team 100 program was an organization that if you gave a certain amount of money to

the Republican party, you became a-or could become a member [10]

of Team 100? Is that a fair statement?

A: That's correct.

Q: What was your working relationship with Henry Barbour? How did you interact on a day-to-day basis?

1131 115

A: Friendly.
MR. O'DONNELL: Again, I'm going to-you have to ng be more specific, Mr. Baron. I mean, I don't-BY MR. BARON:

[17] Q: No, I don't mean it in terms of whether you were (181 hostile or friendly. I mean in terms of did you interact in your capacities as chairman and head of Team 100 at the RNC.

A: Henry reported to Albert Mitchler who was the Finance director. Albert reported to Scott Reed who was the executive director, and Scott Reed reported to me-was

[24] the-was the organization chart, and it's possible that Mary 25 Hiteman, who was a deputy to Albert Mitchler-Henry may have

Page 77

July 19, 1997 Page 78 [1] actually reported to her instead of directly to Albert. I'm 2 not sure, but-Q: Did you and he-A: Go ahezd. Q: -work together directly at times? A: When there were Team 100 events or something like that, a lot of times he would talk directly to my staff or m to me. Q: Okay MR. O'DONNELL: Mr. Baron, it's been about an hour I1CI [11] and 10 minutes since our last break. MR. BARON: Take a break. MR. BARON: Why don't we mark this as Exhibit 14. [14] [Barbour Deposition Exhibit [16] No. 14 marked for [17] identification.] (14) BY MR. BARON: Q: Mr. Barbour, you have been handed what has been nin go marked as Barbour Deposition Exhibit 14. Take your time and gay take a look at it to see if you recognize the document. [Witness perusing document.] BY MR. BARON: Q: Mr. Barbour, I think you were looking at No. 14. 25 Do you recall receiving that letter? It's addressed to you jij from Mr. Ambrous Young. A: No, sir, I do not. Q: Looking at it now, does it refresh any M recollection? A: I don't believe that I ever saw this letter. I don't have any recollection of it. Q: It's addressed to you, and it appears to be py signed. Even if you don't recall it, is there something my about the letter that makes you believe that you've never (ig) seen it, or you just don't recall? A: I don't believe I ever saw it. [11] [11] Q: Olcay [12] (12) MR. O'DONNELL: Mr. Baron, I believe that, if I'm [13] [13] [14] not mistaken, there is a fax cover sheet that accompanies [15] this letter addressed to-(15 MR. BARON: Right. MR. O'DONNELL: -Benton Becker and Dick Richards, [117] but not addressed to Mr. Barbour. I think that should be [140 part of this exhibit. [19] MR. BARON: Oh, sir, I did not mean to suggest that, but since that didn't seem to be addressed to Mr. [21] Barbour, I was going to put a-I knew he didn't have any reason to see the cover sheet. I was just wondering whether he ever got the letter. MA. O'DONNELL: No, but I think that's just the Page 80 point that it's not addressed to Mr. Barbour. I think it [1] letter regarding the legality of the loan guarantee-a loan hould be part of the exhibit, but that's up to you. MR. BARON: I have no problem with that. 27 guarantee from Young Brothers USA to National Policy Forum. MS. PICKERSGILL: Let's make that the last page of uis exhibit. MR. BARON: Okay. Just so the record is clear,

the document addressed to Mr. Barbour, it appears to be a . letter that was sent by Mr. Young to Mr. Barbour. There is (9) a fax transmission cover sheet to Mr. Becker and Mr. [10] Richards dated September 10, 1994, from Mr. Young. Since the fax transmission cover sheet doesn't [12] show that it would have gone to Mr. Barbour, I didn't expect him to know anything about that. I was just wondering [14] whether he had ever received the letter. I take it his [15] testimony is that he has no recollection of ever seeing the [16] letter. THE WITNESS: That's correct. [17] MR. MADIGAN: Well, let me look at the fax. 118 MR. BARON: Do you have it?
MR. MADIGAN: Just so the record is clear, you [21] said that the exhibit appears to have been sent to Mr.

[22] Barbour. If it's attached to this sheet, it appears that it was faxed to Mr. Becker and Mr. Richards perhaps for the [24] purpose of determining whether it should go to Mr. Barbour.

MR. BARON: No. The letter itself, if I may, is

[1] signed by Mr. Young, and it shows copies to Richards and [7] Becker. So what I assumed the fax was, was sending them (3) their copies, but it appears that an original of this letter, at least on its face, seems to have been directed to Mr. Barbour. If he says he didn't receive it or he doesn't of recall receiving it, he doesn't recall receiving it. MR. MADIGAN: I don't know what it appears to be. I'm concerned that you took pains to take off the fax sheet of it, and this is a copy. Do we have the original in any [10] place? Have you ever seen the original? MR. BARON: The original what? MR. MADIGAN: The original letter. You took Mr. 1120 (13) Young's deposition and-MR. BARON: Well, no, the original letter, [14] [15] presumably, would have gone to Mr. Barbour. That's what I'm [19] trying to find out, whether he ever received the original. MR. MADIGAN: Well, that's why I say we have gotten our RNC production. I've never seen the original (19) letter. So I don't know, but in any event, I think it's 20 much less confusing with the fax sheet on the thing. It [21] also says "by hand" on the second page, as if the intention 1221 was to deliver the letter by hand, if that's something (23) Counsel wants to take up. BY MR. BARON: Q: My question is a real simple one. Did you ever Page 82

[1] get a letter from Mr. Young dated September 9, 1994, such as MR. MADIGAN: I didn't have problems with that. I had a problem with your prior question and the assumptions MR. BARON: And Mr. Barbour has made it clear he [7] has no recollection of ever receiving the letter. BY MR. BARON: Q: Correct? A: That is correct. Q: Olcay. MR. BARON: Let me have this marked. (Barbour Deposition Exhibit (14) No. 15 marked for identification.} (10) BY MR. BARON: Q: Mr. Barbour, let me show you what has been marked as Barbour Exhibit No. 15. [Witness perusing document.] 201 BY MR. BARON: Q: Have you had a chance to review that? A: Yes, sir. Q: It purports to be a letter from E. Mark Braden, an 124) attorney at Baker & Hostetler to Benton Becker, who has been identified previously, and it appears to be an opinion Page 83

Is that correct? A: That's what it appears to be. Yes, sir. Q: Let me direct your attention to the first paragraph which says the bank-down to the next-to-the-last line of the first paragraph. It says that the bank will agree to loan 2.1 million to NPF, et cetera. My question is, at one point, we were looking at a roll number of 3.5, I recall, a loan or a loan guarantee of 3.5, [11] and now it's 2.1. How did it move from 3.5 to 2.1? Do you (12) recall? A: That's what-i don't-i can't tell you how the process, but ultimately, Young Brothers Development decided they would guarantee 2.1.

Q: Let me make sure I understand it. In effect, you

would have liked the 3.5, but that's as far as Young is Brothers Development was willing to go in a guarantee? A: I don't want to characterize their state of mind, but, you know, we'd have liked 10. Q: Right.

A: But they said they were willing to give
123 to-guarantee a loan and for Young Brothers Development USA

to put up the collateral for a loan of 2.1.

Q: Did you personally engage in what I'll call the

Page 78 - Page 83 (16)

[13]

(145

[17]

(20)

[21]

Special Investigation CONFIDENTIAL July 19, 1997 Page 84 Page 87 A: gould be used for a variety of non-Federal in negotiation of the amount that Young Brothers was willing to purposes as allowed by the FEC, could not be used for any uarantee? A: Not that I recall, and I don't know exactly what Federal purposes. (4) the negotiation consisted of. O: This is just really betraying my own ignorance. Q: Do you know who acted on behalf of NPF to do the Does this-[5] is negotiating other than yourself! Assuming you had any role, A: Don't betray mine. Q: Would it go, like, to a State election committee, [7] but was there anybody? A: Fred Volcansek was talking to Steve and Dick and or does it get paid out directly by the RNSEC to vendors?
MR. O'DONNELL: Let me object. Mr. Baron, I'm not 191 Young Brothers Development. Q: Who is Mr. Braden, if you know him? (10) clear on whether you are talking about, hypothetically, [10] A: Mark Braden is an attorney at Baker & Hostetler [11] would money in general go to a State election committee. Is who is a Federal election lawyer. [12] that your question? [12] Q: And did he have any affiliation with either NPF or MR. BARON: I'm just trying to understand what the [13] (13 the RNC? [14] RNSEC-what it does with the money it receives. I'm just [14] A: He was outside-he was hired to be outside 115 [15] trying to understand that. It is not a trick question. It rig counsel. (16) portrays my ignorance. THE WITNESS: Well, the Federal Election Q: For? [17] A: For NPF. £183 Commission recognizes that national parties are not Federal Q: Not for the RNC? parties, and they recognize national parties incur-incur [19] A: No, sir. 1207 expenses that are not related to Federal campaigns. 120 Q: Did you or-do you know who solicited the opinion [21] [21] non-Federal expenses. (22) letter from Mr. Braden? BY MR. BARON: (22) A: No. sir. [23] Q: I see. (23) Q: Now, did there come a time when the Young Brothers A: And RNSEC funds can be used for non-Federal [24] [25] USA, in fact, did guarantee a loan of 2.1 million from, I ps expenses only. Page 85 Page 88 in believe it was, Signet Bank to the National Policy Forum? Q: Is that what is called a soft money account? A: Yes. A: That is the so-called soft money account. Barbour Deposition Exhibit Q: The RNSEC? [3] [4] No. 16 marked for [4] A: Yes. Hard money is Federal money. Soft money is [S] identification.] non-Federal money. (6) BY MR. BARON: Q: Does this kind of money, RNSEC-type money, go to Q: I'd like to show you Barbour 16. It is a copy of 7 State parties? [8] two checks drawn on the account of National Policy Forum, A: It can only for non-Federal-133 payable to RNSEC. One check is in the amount of \$1,525,000. Q: Non-Federal. One check is in the amount of \$75,000. Let me show those to А: -ригрозез. (tot Q: You've made that clear. ... you, please. [11] (Barbour Deposition Exhibit [Witness perusing document.] [12] [12] [13] BY MR. BARON: [13] No. 17 marked for Q: Do you recall-well, RNSEC stands for what? identification. [14] [14] [15] A: Republican National State Election Committee. [15] BY MR. BARON: Q: Is that different from the RNC? [16] Q: Let me show you what's been marked as Barbour 17. [16] A: It is the non-Federal component or the non-Federal [17] November 29, '94. [17] (18) account of the Republican National Committee [Witness perusing document.] Q: This money went into the RNSEC account? IN BY MR. BARON: [19] Q: Do you recognize that document, Mr. Barbour? A: That's correct. [50] (20) A: Yes. It's a letter to Ambrous Young. Q: Do you recall receiving-that these monies came (21) [22] Q: Dated November 29, '94. Is that your signature on A: I didn't see the checks or anything, but I know 23 the second page?

[21] issi in? [23] [24] that \$1.6 million was repaid.

Q: This is dated October 20, '94. So we can assume

[1] safely that the loan was immediately prior to that, within a tal short time prior to that? A: I think that's a safe assumption. [3] Q: Do you know how that money was dispersed from the

:51 A: I don't know what you mean.

Q: I guess, once it went into the RNSEC account, \$1.6 [7] million, where did it go, if you know?

A: I mean-

[16]

[17]

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22 min 24 min

Q: What does the RNSEC do with its money? What is [10] [11] its function?

(12) A: The RNSEC may not pay for any Federal campaign (13) activities. It can-and I don't want to hold myself out to be too much of an expert.

[14] Q: I understand that.

A: But essentially, it can pay the non-Federal portion of committee expenses as determined by the Federal Election Commission, and it can be used to make non-Federal

[19] contributions in States where non-Federal contributions are 1201 allowed.

Q: If you can, explain to me where would this money go if a piece of it were distributed to a given State. A: It would go into the bank account, and that funds from the RNSEC-

Q: Right.

[24] A: Yes, sir, I believe it is. Q: And there is a handwritten note at the bottom. Page 86 (1) Could you read that and make sure I got it right? A: It says you're a champ, many, many thanks for everything. 3 Q: Would that have been written by you personally as opposed to an autopen? (5) A: Yes. MRL BARON: Next exhibit, (7) Barbour Deposition Exhibit No. 18 marked for identification. (11) BY MR. BARON: Q: Let me show you what has now been marked as 112 (13) Barbour Exhibit 18. [Witness perusing document.]
THE WITNESS: Okay. 1141 [15] BY MR. BARON: [14] Q: Do you recognize that as a letter from you to Mr. (17) Ambrous Young? [19] A: Yes. Q: Dated January 31, '95? (20) [21] A: Yes. Q: Could you read the handwritten note at the bottom?

It's kind of cut off on some of these other copies. I want

A: Great visit, Ambrous; thanks for your help.

[24] to make sure everybody knows what it is.

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	•	·Sp	ecial	Inves	tigatio

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	Page 90	Page 93
[1] Q: Okay. I want to ask you something about it. I	t (1) A: T	here's a waiting room out front where we met, and
[2] says, "Dear Ambrous, It was a pleasure to see you a	gain   [2] there's,	a lot of times, traffic through there.
by during your recent visit to Washington. I'm delight	ed you gy Q: In	the summer of 1995, did you have occasion to
were able to meet with both Senator Dole and Spe	aker [4] visit wi	th Mr. Young in Hong Kong?
[5] Gingrich." When you say "again," had you seen Mr.	Young at   [5] A: I d	did.
(s) any time prior to the visit you are referring to in the	uis [en Cl:D	o you recall about when that was?
letter, other than the dinner that you referred to ca	rlier?   py A: A:	ugust, I would say.
[8] A: No, sir.	jan Q: ₩	hat was the occasion for that visit?
(a) Q: So the visit you are referring to here is the		was part of a trip to Asia for an IDU
[10] first time you had seen Mr. Young since that dinner	back in, [10] confere	nce.
[11] I believe, August?	(11) Q: W	That is IDU?
[12] A: That's my recollection.	(12) A: T	ne International Democratic Union.
[13] Q: What was the occasion of Mr. Young being he	ere, if (13) Q: Ju	ist so we know what we are talking about, what is
[14] you know? Did you invite him to come, or he was j		-
[15] fortuitously?		's the organization that's Center-Right Parties
[16] A: I don't know if he was here on business or w		
[17] caused him to be here.		nd you were going there in what capacity?
[14] G: How did it come about that he met with Sens	ator [18] A: Le	ader of the Republican party and our party as a
Dole and Speaker Gingrich?	[19] member	r party.
(20) A: I found out that he was going to be here, and	I [20] Q: Yo	ou met with Mrwhere was the meeting being
pti took him by to meet with them.	(21) held?	•
Q: Do you recall how you learned that he was g	oing to 22 A: Se	oul.
(Žšį be here?	(25) Q: Ke	orea?
[24] A: I don't have a specific recollection.	[24] A: Se	oul, Korea, yes, sir.
Q: Can you describe for us what was the occasi	ons for ZS Q: W	here did you meet Mr. Young?
FIT.	Page 91	Page 94
meeting with Senator Dole and Speaker Gingrich?	Were these [1] A: He	ong Kong.
[2] political events, or were these visits to their offices	or 🔼 Q: W	as that before or after you went to the meeting
(a) what?	g in Kores	.?
A: They were courtesy calls.	[4] A: Be	
(a) Q: To their offices?	jsj Q: W	here did you meet with him?
A: Yeah. I took him by, took him by their offices.	jej A: W	e had dinner. He had a dinner on his boat.
We just walked over to the Capitol. Well, we may he	ave [7] Q: W	ho was there, as best you recall?
in driven.	py A: Ma	arsha and I-my wife and I, Kirk Blalock who
Q: Was it just you and Mr. Young, or was anybod	y clse (s) traveled	with me, Ambrous Young, three of the Young
(ro) there?		s, three of his sons, two or three guys who worked
[11] A: In the meetings?	(in for the c	company, Americans whose names I don't recall, Dick
[12] Q: Well, who came with you?	(12) Richard.	
[13] A: I am confident that Kirk Blalock, who traveled		ck Richards?
[14] with me, went. I don't know that for a fact, but that	i (14) A: Di	ck, Fred Volcansek. I don't recall if Steve was
(15) would-	1' ' -	eve Richards was there or not.
(15) Q: Just your best recollection.		d Dick Richards or Volcansek of Steve
(17) A: -typically be the case.		-had they come with you or were you-
(18) Q: How long was the meeting with Senator Dole		ey were actually there when I got there.
[19] A: A few minutes, courtesy call.		ney were already there. They weren't there-
Q: Was anything of substance discussed?	1, ,	at's my- s part of you-
[21] A: I cannot specifically remember, but it's obvious from the letters about Hong Kong, transfer of Hong		s part of you— at's my recollection.
		at 5 my reconcerton. czy. Did you have any discussions with Mr. Young
[24] recollection, I don't take issue about developments		to the loan guarantee at that time?
25 I do think Hong Kong came up in one of the	25 A: I d	
faul - and printed annual second parties all our section of 1992.	Page 92	Page 95
[1] meetings.		in you describe those for us?
(2) Q: How about the meeting with Speaker Gingric		e talked about the conversations that were going
py you recall where it took place?		t forgiveness of all or part of the loan.
(4) A: Over in the Speaker's office; again, a courtesy	լգյ Q: Oi	cay. Can you help me with that? What
[5] Call.	(S) convers	ations are you referring to concerning forgiveness?
[6] Q: Do you recall about how long you and Mr. Yo	ung and se Who wa	s talking to whom about that topic?
also man share wasen three?	les A. Ce	at had talked to Varing Benthers Development

[15]

[17]

[19]

[7] whoever else was there were there?

A: Two minutes.

[8] Q: And again, does the second paragraph reflect your [10] best sense of what might have been discussed briefly with [11] the Speaker?

A: I mean, I think that's a fair representation. The [13] Speaker and Senator Dole are always polite, and my-yeah, I [14] think that's a fair representation.

Q: And what's your best recollection as to how long (16] these visits lasted?

A: Two minutes, 15 minutes maybe, or just a few (18) minutes.

Q: Did you and Mr. Young meet with any other members [20] of Commerce, as best you recall?

A: Unless we bumped into somebody in the hall. My [21] [22] recollection, we met with Dole in his waiting room and, you [23] know, some other people may have milled through there. You [24] know that waiting room out in front?

Q: I don't think I've been there, but-

A: Fred had talked to Young Brothers Development. Ø

Q: Some representative of Young Brothers? A: I had talked to Steve Young and Dick Richards-

Q: What wasft@

25 possible foregiveness arising?

A: -and I may have talked to Ambrous personally on [11] [12] the telephone.

Q: What was the substance of the conversation, of [13] these conversations? [14]

A: That they were considering paying off all or part [15] of the loan and that NPF would like for them to do it.

Q: Was this idea of forgiveness something that was initiated on behalf of NPF, or was it something that Mr. Young was volunteering without having been asked to do so by

1201 someone on behalf of NPF? A: It had been talked about previously, and I cannot (21)

tell you who was the first person to bring it up. Q: Well, we are in August of '95. When do you-when gay you had the visit, when do you recall the subject of

[17]

irt**a** 

Page 96 111 A: The first time? Q: As far as you know, ves. A: Prior to the loan being made. Q: So that, even before the loan was being made, there was a suggestion that it would be forgiven afterward? I just want to understand, I'm not trying to put words in your mouth. Is that what you're saying? Ø A: There was discussion that day that Young Brothers Development would consider favorably paying off, because "forgiving" is not exactly the right word, but paying off 1101 [11] all or part of the loan. Q: Under the circumstances of what the financial [12] (13) arrangement was, I guess by forgiving, what we're really [14] talking about is that NPF wouldn't pay the loan and that the [15] collateral that had been posted through Young Brothers USA would be forfeited to pay off the loan. Isn't that-(161 A: I mean, that-that's one way, or Young Brothers 1171 its could simply pay off the loan. Q: Okay, fair enough. With who did these pre-loan tiga guarantee discussions take place? A: They took place, as far as I know, among several /21/

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:-

(22) people.

A: Fred-

Q: Volcansek?

(23)

(24)

Q: Who would they be?

Page 97 A: -Volcansek is who discussed it with me. I can't tell you who he had discussed it with, with Young Brothers, py but Steve Young discussed it with me. Q: What, in essence, did they say? A: That they were very-Steve said that they were very favorably disposed toward forgiving all or part of the loan and would look at it at the end of the year. Q: And this is before the loan guarantee had actually been made? A: Yes, sir. Q: Now, when you had the discussion with Mr. Young on [12] his boat in August of '95, I think you indicated the topic (13) came up again. A: Yes, sir. [14] Q: What, if anything, did Mr. Young say to you with reference to the possibility of forgiveness of all or a [17] portion of the loan? A: That they were favorably disposed toward doing it, [19] and I can't remember-he spoke optimistically of their doing it, of Young Brothers Development forgiving the loan, I [21] think was the term. Q: Was the way it was put? 1221 A: Uh-huh. [Nodding head up and down.] [23] Q: Okay. Was there any discussion that you recall as 25 to why he would be willing to do that? I mean, it's a lot

Page 98 [1] of money. A: As I say, it had been discussed from the very [3] beginning. Q: Let me show you a document. [Barbour Deposition Exhibit No. 19 marked for [6] identification. 171 BY MR. BARON: fat Q: Would you take a look at that, please. [Witness perusing document.] [101] (11) BY MR. BARON: Q: Okay, sir. Have you seen that? (12) A: Yes, sir. [13] Q: Do you recall this transaction? [14] A: No. sir. (15) [18] Q: Did you have any role in approving the loan? It's [17] borrowing \$200,000 from the RNC by the NPF in order to pay is the interest and principal due to Signet on July 31. A: I am sure I signed off on any time that the Republican National Committee loaned money to the National [20] [21] Policy Forum and any time the National Policy Forum borrowed money because I'm sure I was made aware of it. Q: Could I elaborate on that for a moment? As I understand it, over the years, money was borrowed by the NPF

25] from the RNC until it accumulated a pretty substantial debt.

[1] What was the process whereby that was done? How did that 2 work? A: The National Policy Forum would request a loan. Q: And to whom would that be put? To you? A: It would not be typically put to me. It would be done at the staff level, like this is Steve Walker the [7] comptroller-Q: And then it would-A: -but ultimately, someone would ask me. Q: You'd have to be the final say on whether it would t+C [11] be-the loan would be given? [12] A: I would think normally that would be the case, I cannot say that in every instance that was the case, but I [141 would think that I was-(15) Q: I'm just asking for the normal process, as best (173 A: That would be it, but I don't know that I ever-I don't think I saw this letter. Q: By the letter, you're talking about Barbour 19, (191 (20) just so the record is clear. [21] Again, just so the record is clear, there is a check attached to the letter on the account of the Republican National State Elections Committee corporate (24) operating account dated July 28, 1995, payable to the [25] National Policy Forum in the amount of \$200,000. I just Page 100

[1] want the record to be clear. [Barbour Deposition Exhibit No. 20 marked for identification.) BY MR. BARON: Q: Let me show you what has been marked as Barbour [7] Exhibit 20. A: Is this supposed to be three pages long? 181 Q: Yes. 191 (10) A: Okav. Q: Two pages appear to be an attachment to the front f1 13 [12] page. [Witness perusing document.] (13) THE WITNESS: Okay. [14] ។នា BY MR. BARON:

(16) Q: Have you had a chance to look at that? [17] A: Yes, sir. Q: The cover letter is not addressed to you. So I [19] suspect you have probably never seen that, but it says attached is a copy of H.B.'s proposed itinerary, and I'm

[21] assuming H.B. refers to you. Turning to those next two pages, there appears to be an itinerary for your upcoming trip from Kirk Blalock, (24) who is an individual you have mentioned a couple of times.

A: Kirk traveled with me.

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Q: Okay. For Mr. Young, Ambrous Young, and it ra indicates that you are going to be in Hong Kong and thereafter in Beijing. Do you recall this trip taking [4] place? A: It didn't happen. Q: This one did not happen? (6) A: No, sir. m Q: What happened to the trip? A: Got busy, but it didn't happen. I don't in specifically recall why it never materialized. [11] Q: All right. Did there come a time when you did [12] take a trip to Beijing with Mr. Ambrous Young! A: Yes, sir. Well, where I went to Beijing and he (13) [14] Q: First of all, about when did that take place?

This one was scheduled for sometime-it looks like the end (17) of November, around Thanksgiving of '95. Given that (18) reference point, what is your recollection as to when a trip [15] actually took place where you and Mr. Ambrous Young met in

[20] Beijing! A: Either January or February of '96. [21]

[2]

Q: Can you describe the circumstances as to how they [23] came about?

A: It was part of a trip that included appearances at 25] the World Economic Forum in Davos, Switzerland.

Q: Switzerland?

A: Switzerland. So I left the U.S., went to China, [3] went to Switzerland, came back. I was gone about a week.

Q: Is it your recollection that you met up with Mr. 151 Young in Beijing, or did you rendezvous with him in Hong is Konig? Do you recall?

A: I'm not certain. He may have been on the same of plane from Hong Konig to Beijing, but I am not certain of that. I was-he was in Beijing.

Q: Do you recall who else was with you and Mr. Young

11] in Beijing? A: My wife and his wife, his son Steve, Dick

13] Richards, Fred Volcansek, and then there was a group of 14) people who were with us all the time from the Center for

World Economic Development or the Institute for World is Economic Progress or something, the host organization who 17] hosted the trip

Q: Was Mr. Richards there as part of your group, or 19 was he there on his own, or was he there with Mr. Young, if 20j you know?

21 A: I mean-

uly 19, 1997

Q: Did he come with you?

A: I don't believe he came with me. Again, he could have been on the same plane from Hong Kong.

Q: No, I guess when I say come with you, I'm not

Page 103 | literally talking about being on the plane. I mean, were

you kind of as a group traveling together, or he just ended

of up in Beijing from some other trip? A: No, I mean, I think he-was he in Beijing because

By I was going to be in Beijing?

Q: Right. A: Yes

Q: If you know, why was that? Why was he there since you were going to be there? Was there some particular

id purpose? A: When we had previously, twice, talked about going to Beijing and not gone, he had planned on being a part of

that. So, when we actually went, we invited him. Q: What was the purpose of the trip as such, if there

is was one?

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[22]

[24]

(14)

A: Well, one was that I had previously told the PRC that when I went to Asia before and went to these other [18] countries that I would go there, but I had not. So this was (19) fulfilling that.

Q: Fulfilling a commitment that you would be in [21] Beijing?

A: Fulfilling that, yes, but also, it was a chance [23] for me to talk to Ambrous Young.

Q: What-

A: And I have to admit, it was a chance to go

Page 104 [1] sightseeing and see the Great Wall and the Forbidden City and all of those things.

Q: Sure. Now, on this trip, you, as I understand it, 14 had a meeting with the foreign minister of the PRC, am I correct?

A: Had a courtesy call with the foreign minister. Q: Was that set up in advance of your coming? I

m mean, I would assume so, but I don't know. A: I would assume so, too.

Q: Who set it up?

A: I don't-you'll have to ask Kirk about who invited [11] me. I guess the foreign minister, but who set it up, Kirk [12] would know. 1131

Q: Did you meet with the foreign minister? A: Yes, I did.

(15)

Q: Did you have a conversation with him? [16] A: It was a very pleasant courtesy call, similar to when people would come by my office. [17]

[18] Q: Just in essence, what, if anything, was discussed? [19] A: He asked what Republican views were and what was 120

[21] going on in Congress. Q: Did Mr. Young participate in any of this

123

A: He was present. I don't recall his saying 25 anything, but I can't say that he didn't.

Page 102

Page 105

Q: Had there been any meeting with PRC officials in

2 advance of your-by you in advance of going on your trip? A: No, sir. Well, you know, I told you that very

much earlier, I had met with the PRC ambassador when I thought I was going to go through the PRC during this IDU [7]

After that, I don't recall any such meeting.

Q: You said also that it was an opportunity to have a discussion with Ambrous Young. What was that about?

A: To follow up on the loan guarantee situation, the [11] forgiveness situation, to give him-let him know the

situation at NPF. Q: What was Mr. Young's-I take it, you were asking whether they were willing to forgive all or part of the loan? I mean, that's what, I take it, you were trying to accomplish.

A: And I was giving him the situation with the NPF na financially

1199 Q: What was the situation with NPF financially?

A: That they were not going to be able to make the [20] [24] next loan payment.

2: What was his response to that? (23) A: Favorable, but not committed.

Q: Is that the way you left it as of the end of the [24]

isa trip?

Page 106

A: [Nodding head up and down.]

Q: You have to say. You can't get the head nod. [2] 

A: I think that's a fair representation of where we left it. [4]

Q: Was any business discussed in terms of potential entrepreneurial ventures in China or in Asia as part of this getting together in that part of the world? A: No, not in my presence. I mean, I can't tell

you-(S) Q: Well, I can only ask you what you know about. 10

A: No. f111 Q: Did anybody report to you of any such-[12]

A: No. (13] Q: -discussions or-[14]

A: No. [15]

1161

Q: Am I correct that there came a time when the April payment was due on the loan by NPF and they were not able to (18) make the payment and the payment was deferred to the back

jis end of the loan? Do you recall that? A: I don't believe that's accurate. Q: Okay. Well, let me show you a document relating /211

22 to that. (Barbour Deposition Exhibit 23

(24) No. 21 marked for

25 identification.]

Page 107

(1) [Witness perusing document.]

[7] BY MR. BARON:

Q: You have been shown a document dated June 6, 1996 uj to you from Richard Richards. Have you seen that document s before?

A: Yes, siz.

Q: He begins by saying, 'Dear Mr. Chairman: I understand that you have simply postponed the April

payment-put it on the end of the contract," et cetera. Do 109 you have a different recollection as to what occurred with

[11] regard to the April payment? A: His statement is incorrect. 112 (13)

Q: What happened?

It was not postponed. It was defaulted. Q: Was there an earlier payment that had been (15)

(1st postponed? A: Yes, there was. [17]

Q: Is that the January payment?

A: Yes, sir, it was.

Q: All right. So am I correct that the January [21] payment on the loan was-I think it's called an allonge, a-l-l-on-g-e, in banking terms. You've just exhausted my French banking, though, but it would move-the January

[24] payment was moved to the back end of the loan. Is that your 25 understanding?

Min-U-Scripts

[18]

Miller Reporting Company, Inc.

[33

payment?

Q: Am I correct that a decision was made that the

National Policy Forum was not going to make the April 1996

Page 108 A: Yes, sir, that is my recollection. Q: In April, NPF, in effect, didn't pay, and there was a default ultimately, Isn't that correct? A: That is correct. Q: There is a reference in here, this letter of June 181 6th, where Mr. Richards says, "Ambrous has contacted me, and M Benton Becker, his attorney, has instructed us to tell you in that he expected the committee to make payments on this note when due. In the meantime, he is still attempting to find a (10) way to accommodate you with some degree of forgiveness, but [11] until he sees a way to do so, he expects you to be making (12) payments in accordance with the contract," and then he asks [13] you to give him a call if you want to discuss it further. [14] Did you call him subsequent to this? A: No. [15] MR. BARON: Let's go to the next exhibit, if I [:6: [17] may. This is Barbour Exhibit No. 22. Barbour Deposition Exhibit (100 No. 22 marked for identification. (Withess perusing document.) 1221 BY MR. BARON: Q: Do you recall seeing that letter before it went [24] Out? A: I don't recall seeing it before it went out. [25] Page 109

A: Yes. [5] Q: Who made that decision? A: Bolton and I. Q: I thought that is what I said, but if I misstated MR. O'DONNELL: Mr. Baron, we have gone another hour-plus. I would suggest we take a break here. [11] MR. BARON: Sure, no problem. (13) [Recess.] (Barbour Deposition Exhibit (15) No. 23 marked for (reg identification.) 1171 BY MR. BARON: Q: Mr. Barbour, let me show you what has been marked (101 [18] [Witness perusing document.] 1201 BY MR. BARON: Q: This letter is to David Norcross from Mr. Becker dated June 25, 1996. By this time, there has been a default pay on the loan. Is that correct? A: Yes, sir. Q: Who is Mr. Norcross? A: The general counsel to the Republican National

Page 112

Q: Mr. Bolton says in the opening sentence that Haley, referring to you, I assume, has asked him to respond to Mr. Richards' letter of June 6th. Do you recall asking Mr. Bolton to respond to it? A: Again, I don't recall, but I'm sure I did.

Q: In there, it says the Republican National

[7] Committee is not a party to that loan agreement, has no payment obligations under that agreement, and does not intend to make such payments. How do you square that with the representation that was made in the August 30, 1994,

[11] letter to Mr. Becker that you sent? MR. O'DONNELL: Let me just object to that. It's 1131 not his writing, but, Mr. Barbour, to the extent you can [14] answer the question, please go ahead and do it.

THE WITNESS: The statements in that sentence are (15) [16] all correct. Every statement in that sentence is correct. 1177 BY MR. BARON:

Q: The sentence that is in the June 10th letter? [18]

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Q: Who made the decision contained in the second paragraph which begins, "Contrary to the 'understanding' in your letter, NPF as borrower has informed Signet to use the collateral certificate of deposit associated with the April [24] 1996 payment to satisfy that obligation. Unlike the 25) handling of the January 1996 payment, NPF has made it plain

[1] to Signet that the April payment is not a deferral. In so [2] doing, NPF has followed the terms of the loan agreement."

Who decided to advise Signet to use this [4] collateral certificate of deposit associated with the April [5] 1996 payment?

A: John Bolton or someone advised them. John Bolton [7] and I had a number of conversations about this before, and in both agreed that it was a default; that there wasn't a way to describe it any other way; that what-what Dick said in [10] his letter is just wrong

Q: I understand that. You have made that clear, but [12] I just want to go back to the decision process whereby the [13] NPF advised Signet that they weren't going to make the April payment and they should look to the collateral to satisfy (15) it. Was that a decision that you and Mr. Bolton reached?
(16) A: And we had missed the payment, and it was7) Q: Well, I'm sure the bank wouldn't have turned it

down if you had given them the money. I mean, it was a (19) decision made not to pay it, and somebody had to decide [20] that. I'm just trying to find out who made the decision.
[21] MR. O'DONNELL: Let me object to that

characterization as going beyond his testimony, if that was intended to summarize his testimony. (22)

MR. BARON: Well, let me rephrase it as question, and I will just ask Mr. Barbour to answer it.

Q: Did he have any role with the National Policy Forum, also, to your knowledge?

A: Not really. His not really.

Q: That leaves a little room in there. Did he have some role, but not a really big role, or what?

A: He did not

Q: Did his law firm have any tole? I'm not sure what [11]

A: His law firm-a member of his law firm was the (12 counsel to the National Policy Forum. [13]

Q: Who was that? (14 A: Linda Long. [15]

Q: So Norcross and Long are members of the same firm. 116

(17) Long represented National Policy Forum. Norcross represented the RNC. Is that correct?

A: That is correct.

Q: Now-

A: That is correct, to the best of my knowledge. (21) Q: I understand. Did this letter ever come to your 122

(23) attention?

(20)

A: The letter itself did not, to my knowledge.

Q: Did some aspect of the letter come to your

[1] attention, although not the letter itself?

Q: I don't want a conversation with your lawyer. So

I want to caution you if you're about to launch into that,

unless for some reason you want to tell me about it, but you have enough lawyers here to-

A: I did not see this letter, to my recollection. Ø

Q: Okay. Did some aspect of the letter come to your attention, or did its contents come to your attention?

A: I simply cannot recall if what came to my 1113

attention came from my attorney or not. Q: There is a reference in here in the third

paragraph. It says, I wish to express the unambiguous concern of l'm sorry.
[Witness conferring with counsel.]
MR. O'DONNELL:We're talking about a privileged [14]

(17)

issue. Is there a question pending: MR. BARON: Well, I was about to, and then I saw you wanted to talk. So I stopped.

MR. O'DONNELL: Go ahead and ask the question. [19]

[20] BY MR. BARON: [51]

Q: Weil, let me go back. Was there any aspect of 123) this letter that was brought to your attention by someone 124) that you feel in a position to tell me about that wouldn't be privileged or that you don't want to assert the

Page 113

[1] privilege? MR. O'DONNELL: If there is an aspect of the [3] letter that is brought to your attention by someone other

(4) than a lawyer providing advice to you or assisting you, then is you can go ahead and answer the question.

THE WITNESS: The letter itself was never, to any recollection, brought to my attention.

BY MR. BARON:

Q: There is a paragraph in the letter, the third full of paragraph. It says, "I wish to express the unambiguous of concern of YBD," which I take to refer to Young Brothers 12 Development, and its principals and to advise that YBD and 13) its principals cannot and will not allow these defaults to

14) occur without recourse." Was that sentiment conveyed to you, that is to is say, that the Young Brothers Development might seek recourse in if the default were not somehow cured?

A: I was not advised that in this letter there was

some threat to sue. Q: Did you take that-I mean, if you were reading zij that, you would take that as a threat to sue, as I think

za most people would? A: I took it that's what you took it to be.

Q: That's true. Okay.

MR. BARON: Let me have this marked, please. 25)

Page 115

(Barbour Deposition Exhibit 72.No. 24 marked for

p identification.]

[Witness perusing document.]

[S] THE WITNESS: Can I see that last one? Well, no.

Here, Terry has got one. Okay

BÝ MR. BARON: Q: Would you take a look at that letter, please? [Witness perusing document.] 110 THE WITNESS: Okay.

BY MR. BARON:

[12] Q: All right. Do you recall receiving-this is a [13] letter dated June 28, 1996. It appears to have been faxed [14] to you, and it is signed by Ambrous Young. Do you recall is receiving this?

A: I recall seeing it.

[14]

[17]

Q: Well, but more or less at the time that-

A: I recall seeing it at the relevant time.

Q: Okay. Now, he says in the second paragraph, "It [20] is true that you have expressed to me the difficulties for [21] the Forum to repay the loan to us." Let me stop there.

You indicated that in an earlier conversation with Mr. Young when you were with him in Hong Kong that you had indicates the Forum would have a hard time paying the debt. [23] 25 Is that correct? I thought that was your testimony before.

A: I had advised him.

(4) repay the loan?

A: I do not recall any subsequent conversations with

(c) Ambrous Young.

Q: Now, in the second part of that sentence, he says, "And it is also true, I have stated to you that the agreed loan should be cleared for various reasons." Do you recall io him saying that, or words to that effect, to you?

A: I'm not exactly sure what that sentence means.

Q: Okay. In his deposition, and I will get the deposition for you, but in essence, Mr. Young stated that 2t the meeting with you on his boat in Hong Kong that you is raised the issue of forgiveness and that he represented to (18) you that Young Brothers Hong Kong could not do that partly (17) because he had obligations to his board and to the (18) shareholders of the company and also because it was subject (18) to audit by the Hong Kong authorities. Do you recall that?

MR. O'DONNELL: Let me object to the question, Mr.

[21] Baron. We haven't seen the-MR. BARON: I understand that, and I'll get it. MR. O'DONNELL: -transcript, and we'll take you [22]

124) up on the opportunity to review that transcript as soon as possible. Subject to that objection, you can go ahead. Min.II.Scrinta BY MR. BARON:

Q: Let me put it this way. I'm representing to you my best recollection without having the text in front of me, but my question to you is, do you recall having a conversation to that effect with Mr. Young on his boat when

you visited him in Hong Kong in the summer of '95? A: I don't have any recollection of him ever saying

anything to me about Hong Kong authorities, ever. Q: Okay. We will get the page of the deposition so

you can actually-I can quote it directly. 110 So you do not know what Mr. Young is referring to when he says in the fax of June 28, 1996, "It is also true I [11] have stated to you that the agreed loan should be cleared [12] 113

for various reasons"? MR. O'DONNELL: Is your question does he know what (19 Mr. Ambrous Young means by that word?

BY MR. BARON: (teg

[17] Q: He's referring to for the various reasons. He [18]

said he discussed it with you. A: Are you asking me do I know what he meant?

[21] Q: Well, he says, "...I've stated to you that the
[22] agreed loan should be cleared for various reasons." I'm 3191 asking you whether you know which are the various reasons pay that he says he communicated to you, which would be required

25 agreed loan could be cleared.

Page 118

A: I took this sentence to mean that he had stated to a me that they should forgive the loan; that the agreed loan (3) should be cleared. It is true I have stated to you that 14) the agreed loan should be cleared ...," that is, that they should pay it off.

Q: You take that to mean that he is-that he had stated to you that the Young Brothers Development should, in effect, pay off the loan?

A: Uh-huh. [Nodding head up and down.]

Q: That is what you took it to mean? 101

[16]

[17]

[11] MR. BARON: We can wait for that page of the deposition to be brought in, or we can move ahead and just [12] (13) come back to it. I will do it either way.

MR. O'DONNELL: We can move ahead. 1141 [15]

MR. BARON: Okay.

BY MR. BARON:

Q: I am going to read to you, and I will give you a copy of thir. This is from pages 57 and 58 of a deposition of Ambrous Young taken on June 24, 1997 by me with Mr. Perry of the Majority present.

Question: "What was your response to Mr.

Barbour's proposition that the loan be forgiven, as we have 231 discussed?

Answer: "I said"-

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MPL MADIGAN: Let me ask, first, are you 2) representing-i'm getting the whole transcript, but are you representing that this is a conversation on the boat?

MR. BARON: Yes. That is the context.

MR. MADIGAN: Go ahead BY MR. BARON:

Q: "I said no in the manner of an apology. I explained to him that we have difficulties to do that because the YBO-USA money, which was guaranteed under the ing form of certificate, deposit certificate for the Forum loan,
was a loan from YBD-Hong Kong, and YBD-Hong Kong, we are facing government audit every year. Without justification, the directors of the board to approve such loan could face government punishment. So, therefore, I explain this cannot

be done." Question: "Did Mr. Barbour at that time express [17] any surprise or concern when you advised him that the money (14 in that YBD-USA had posted as collateral with the bank for the 119 National Policy Forum loan was money that originally had 200 come from YBD-Hong Konig?"

Answer: "I did not notice whether he was

223 surprised or was just carrying on a normal conversation."
239 I will give you the text. Do you recall having
249 any such exchange with Mr. Ambrous Young at his boat in the

es summer of 1995?

July 19, 1997

Page 120 A: I do not recall him saying, and I did not understand him to say, anything like that. Q: Okay. Why don't you keep that. MR. BARON: Terry, can we make a copy of that? Let's make a couple of copies of it and make it an exhibit [5] (a) to the deposition. MR. O'DONNELL: Is that conversation discussed in anywhere else in the deposition, the conversation that you referred to? MR. BARON: It starts a little bit earlier, but-[10] MS. PICKERSGILL: I think it continues on a little [11] [12] bit farther MR. O'DONNELL: For the purposes of context-[13] MR. BARON: I will give you the-[14] MR. O'DONNELL: -I'd like to see the whole [15] in deposition, so we know what-MR. BARON: Well, I don't know if I'm at leave to (17) [16] give you the whole deposition because I am not talking about the whole deposition, but I would give you the context in 1191 201 which that Q&A takes place. BY MR. BARON: 7211 Q: Let me hand you what has been marked as Barbour [22] [23] 25, please. [Barbour Deposition Exhibit 25 No. 25 marked for Page 121

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Q: This is-

MR\_MADIGAN: I have it as 26. Is that right? MR. BARON: Twenty-seven. You missed one. [Discussion off the record.] MR. MADIGAN: While he's looking at that, I think you need to put in an additional page in the record here. This conversation appears to me to be continuing. The bottom of it, the witness says, "No, but I also told him that as a courtesy or politeness, the loan must be repaid." MR. BARON: I'm happy to add. BY MR. BARON: (19 Q: All right. These-[11] MR. MADIGAN: Well, then it goes on to the next (12 page. It says, Did he have any suggestion at the time as [13] to how that might be accomplished as an alternative to CIST forgiving the loan?" Answer: "I think he misunderstood me. He said 1161 are you meaning you give me the money to pay back the loan." [17] I think this is all in the same context. 1180 [19] MR. BARON: That's fine. I have no objection. BY MR. BARON: 24 (21) Q: These are-MFI. MADIGAN: Well, you asked a bunch of questions (22) about one page.

MR. BARON: The record will show what I asked 23 [24] Cal and Page 124

[1] identification.] MR. BARON: Off the record for a second. [Discussion off the record.] MR. MADIGAN: Have we got a new document? MR. O'DONNELL: Twenty-five. MR. BARON: Yes, 25. Right BY MR. BARON: 7 Q: I've shown you Barbour Exhibit 25. It's a letter dated July 15, 1996, from Mr. Becker to Mr. Norcross. It doesn't show a copy to you. So I'm not asking whether you have seen it, but I want to ask you about the content of (12) what's stated in the letter. It suggests that a request was made that at the [14] scheduled mid-August '96 meeting of the RNC that you seek [15] and obtain committee authorization to serve as the sole [16] guarantor for the outstanding balance of approximately a (17) million-five on the Signet Bank loan. Do you recall being requested or being conveyed to [162 19 you that Mr. Becker was requesting that you seek such 201 authority? A: Yes. [21] (Barbour Deposition Exhibit No. 26 marked for 7231 [24] identification.]

MR. O'DONNELL: For the record, we're at a great [2] disadvantage here because we haven't seen any of the (3) transcript and still haven't. So I can't comment on what (4) Ambrous Young said, and-(5) MR. BARON: Well-MR. O'DONNELL: -i don't think it's fair to ask Mr. Barbour what he said based on an incomplete part of the transcript, but that having been said, we were already past [9] it. Let's move on. MR. BARON: Well, let me give you-these are two (11) pages of Min-U-Script transcript, meaning they are six pages (12) of normal full-sized transcript on each of these pages. It [13] picks up several pages before the portion of the transcript [14] that I asked Mr. Barbour to comment on, and it goes on for [15] six pages thereafter. I think that's adequate context. If there's any aspect of my question that you (1G [17] think-MR. O'DONNELL: That's fair enough. (12) MR. BARON: -was inappropriate in light of the 1190 additional text, I'll be happy to review it.
MR. O'DONNELL: Mr. Baron, I'd ask you whether [50] 121 there is any other place in the Ambrous Young deposition (22) transcript where this conversation was discussed, and if so, (23) we would like to see that as well.

25 BY MR. BARON: Page 122 Q: Let me show you what has been marked as 26. Have [2] you had a chance to look at that? A: Yes. Q: It is a letter from Mr. Norcross back to Mr. is Becker saying that they do intend to suggest to Mr. Bolton in his capacity as executive director of the NPF that he [7] raise the issue with the Budget Committee at the convention, (a) correct? A: That's correct. Q: Were you aware of that, of this? [10] A: Again, not specifically of the letter. [11] Q: No, but I mean of the sentiment expressed-1121 A: Yes. (13) [14] Q: -in the letter? A: Yes. [15] [16] [Barbour Deposition Exhibit [17] No. 27 marked for identification. 181 (19) BY MR. BARON: Q: Let me show you what has been marked now as (20) [21] Barbour Exhibit 27. MR. MADIGAN: This is what? Twenty-22 MR. BARON: -seven. [23]

BY MR. BARON:

[24] MR. BARON: Not to my recollection, as I sit here. Page 125 (1) but we will check, and if it is, then I will make it 22 available to you.
33 MR. MADIGAN: Did you give that a number now, or are you just-[4] MR. BARON: I think we ought to give it a number. THE COURT REPORTER: That will be No. 28. (Barbour Deposition Exhibit No. 28 marked for identification.] [10] MR. MADIGAN: Why does it say No. 24?
[11] MR. O'DONNELL: Scratch that out. [Witness perusing document.]
BY MR. BARON: (12 1131 Q: Mr. Barbour, you have had a chance with your 115] counsel to review two Min-U-Script pages with perhaps sort 116] of in the middle of it the part of the Q&A with Mr. Ambrous 117] Young that I asked you about I was not intending to [18] mislead you. Is there anything now that you have read, what essentially amounts to 12 pages of transcript, that you will (20) [21] want to change in your answer to my earlier question? A: Your question was about 57 and 58? [22] Q: I sort of marked up-right. [23] A: Did he mention to me that Hong Kong would have to 25 approve forgiving the loan or paying it off? And I did not

[1]

[2]

[4]

[4]

Page 129

Page 126

in understand him to ever say anything about Hong Kong. Q: I'm just pointing to that because that was the [2] text, as you see it. My question was, do you remember ever

having any such discussion with him, and I take it your is answer is no. A: I don't recall, and I did not understand him to

[7] say anything about Hong Kong.

Q: Let's go to No. 27. Is that what you have in your (8) [9] hand?

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Q: This is a letter from Mr. Becker to Mr. Norcross dated August 29, 1996, and it does show a carbon copy to you, as well as to Mr. Young and to Mr. Richards. Do you (4) recall receiving this document?

A: I do not recall receiving this document.

151 Q: In the second paragraph of the document, Mr. Becker, and I'm going to quote, states the following, "To 171 our collective surprise and disappointment, Messrs. Young,

Richards, and I were informed that the RNC Budget Committee rabled Mr. Bolton's request until after the November 1996 2# election."

Were you at the proceedings of the RNC Budget 22 23) Committee?

A: No. sir. I was not. 241.

Q: Were you aware that what is described here as the

Page 127 in tabling of the issue, which refers back to the earlier exhibits we just looked to about raising the question of the RNC paying off the loan, that it had been tabled? Did that [4] come to your attention?

A: I was advised of that. Q: Did you play any role in the decision to table Mr.

Bolton's request? A: I was not at the Budget Committee meeting, but I

m; thought this was the right decision.

Q: To table it? A: Yes, sir.

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[3]

[12]

[13]

Q: Why was that?

A: The Republican National Committee was not a 131 guarantor, had not been, and before looking at anything like this, there needs to be-see where you are at the end of the [15] tel year

G: There is a paragraph at the bottom of that page in (18) which Mr. Becker represents, and I'm quoting, "Since the close of the Republican National Convention, Dick Richards has attempted to make telephone contact with Mr. Bolton on [21] 10 separate occasions," and he underscores it 10 times, (22) exclamation.

Were you aware that Mr. Richards was trying to get 1231 [24] a hold of Mr. Bolton, and at least according to this, on 10

25] separate occasions, Mr. Bolton was unavailable to speak to

Peas 128 (1) him?

A: I don't-i don't know whether that's true or not. Q: Did it come to your attention from anyone?

A: [Shaking head from side to side.]

Q: You have to say it. [5]

A: I am not aware of whether this is accurate as stated or not. П

Q: At the end of the letter, Mr. Becker asks for an in-person meeting with you and Mr. Norcross that discussed [10] the matter before September 20, 1996. Did any such meeting

[11] take place, to the best of your recollection? A: No, not in which I participated. MR. BARON: Let's mark this, please. (Barbour Deposition Exhibit

[14] No. 29 marked for 115

(16) identification. [Witness perusing document.] BY MR. BARON: [17]

(18) Q: This is a letter dated September 17, 1996, 1191 201 addressed to you by Mr. Richard Richards, am I correct?

[21] Q: Do you recall receiving this letter? [22] A: Yes [23]

Q: My first question is, did you ever respond to this 25] letter in writing?

Q: Did yoff ever talk to Mr. Richards about it [3] verbally? A: No.

Q: I want to direct your attention to the bottom paragraph on the first page, and this is where Mr. Richards

is reciting the history as he sees it of the entire transaction. He says, Funds were transferred from Hong Kong to Young Brothers USA, a Florida corporation of which I (10) am the president." Let me stop there.

When did you become aware of the fact that the funds which were put up to collateralize the National Policy Forum loan came from Young Brothers Hong Kong to Young **Brothers USA?** [14]

A: This year. Q: I'm sorry? 1160 A: This year. [[17]

Q: And when was that? This year, 1997? (18) [19]

A: Yes, sir.

Q: Well, I assume you received Mr. Richards' letter (20) 1211 in September '96.

A: I did. [22] Q: Well, he says it in there. Did you understand 1230 that he was wrong or-

A: It was my beiief.

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Q: That he was incorrect? A: [Nodding head up and down.]

Q: What was your-THE COURT REPORTER: Is that a yes?

THE WITNESS: That was my belief. BY MR. BARON:

Q: What was your understanding concerning the financial position of Young Brothers USA at the time that the loan guarantee was made? [10]

MR. O'DONNELL: Can you explain what you mean by [11] the financial position? [12] BY MR. BARON:

Q: What did you understand Young Brothers USA had in [13] assets in its own name? [14]

A: I had no specific understanding. [15] Q: And it's your testimony that you had no idea at that time and, indeed, not until 1997 that the funding which [161

was posted as collateral for the guarantee of the National Policy Forum loan in 1994 came from Young Brothers Hong [19]

[21] That was as long sentence-a long question. A: I am going to ask you to repeat it again. [22] O: I think that's fair. 231

A: To repeat it.

Q: Okay. Is it your testimony that the first time

you learned that the funds which collateralized the loan that the National Policy Forum made in 1994, that the first time you learned that those funds originated in Hong Konig (4) from Young Brothers Development Hong Kong was in 1997? A: That is correct that the first time I received information that I considered critical was then. Q: What was that occasion?

A: The retrieval of documents from the NPF warehouse. by As they were reviewed, there was in the loan documents some ing sort of record.

[11] Q: Can you help me with that! What are you referring (12 10?

A: I don't recall exactly what it is, but there was a (13) reference in the loan documents. [14]

G: With Signet Bank? เรา

A: Right There was a-the first time I ever received any information that I considered credible, any information other than this letter, was in the review of the

loan documents. Q: That NPF-the loan documents where NPF borrowed (20) the money from Signet? [51]

122 [23]

Q: Do you recall what document it was?

A: I just remember being told what was in the loan documents

(3)

[4]

[6]

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[12]

[20]

[21]

[11]

[5] it?

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those sentences I have just quoted?

July 19, 1997

Q: You were told it was in the loan documents, the "it" being that this money was originating in Hong Kong? A: In the NPF Signet Bank loan documents file was

[4] some reference to the fact that Hong Kong YBD owned YBD USA.

Q: You say that is the first time you realize that, in and my question was, when is the first time you realized m that the money that was posted as the collateral for the guarantee on the NPF loan originated in Hong Konig? 

MR. O'DONNELL: Let me object on the grounds of in privilege. Obviously, if you learn from counsel in [11] preparation for these proceedings more than you knew previously about this, then I direct you not to disclose discussions with counsel in preparation for this proceeding. BŸ MŘ. BARON: [14]

Q: All I asked is a "when." I didn't ask for any (16)

A: This year, 1997.

[1] originated in Hong Kong?

A: That's correct.

A: That's correct.

[14] might be right about that?

Q: Why is that?

A: 1996.

A: Richards' letter.

Q: September 17, 1996?

in regarding the funding of the loan?

Q: To collateralize the loan?

(17) Q: And you said that it was the first time that you [18] learned it from a credible source?

A: [Nodding head up and down.]

Q: You have to answer. You can't get the head nod.

A: Yes. [22]

(15)

[21]

[11]

[13]

[15]

[17]

[21]

[22]

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(20) his letter?

A: Correct.

Q: What other indications which you may not have [24] regarded as credible had you had prior to this year that the money which was used to collateralize the NPF loan had

Q: Is it your testimony that you didn't regard Mr. [8] Richards' letter of September 1996 as a credible source

A: There are so many things that are inaccurate.

Q: I take it you have already testified you didn't

[16] write back to him to say that he was wrong, and you didn't

[19] talk to him to discuss the accuracy of the representation in

Q: Now, let's go to the record page. He describes in

the top first full paragraph, and I am quoting, "Mr. Young

[16] so wrong about that I didn't sive it any credibility.

Q: Did it lead you to at least question whether he

A: The facts that I knew of my own knowledge, he was

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A: Yes, sir.

Q: He quotes you as follows. He says, "During those discussions, you made the statement to me in words to the

effect," and now he purports to quote you, "I will not spend hard dollars to pay off this loan." Did you ever make such a statement to Mr. Richards?

7 A: Well, let me read it.

Q: I'm sorry. Take your time. (Witness perusing document.) 

THE WITNESS: What was the question?

BY MR. BARON: 1101

Q: Let me put the question on the table. Mr. (12) Richards quotes you in the letter, and he literally puts the [13] words in quotation marks, I will not spend hard dollars to pay off this loan," and he's purporting to say that you said

that. Did you ever say that, or words to that effect, to [17] Mr. Richards?

A: This is another reason the letter has no [18] credibility. (19)

Q: 1 take it your answer is no? [20]

A: I would never-I would never say that because it's [21] [22]

Q: So your testimony is you did not say that-[23]

A: That's correct. [24] Q: -or words to that effect?

224 began discussions with you about a trip to China. One was 251 scheduled, then canceled," and I think you indicated earlier Page 134

[10]

[19]

(1) that that was accurate that there had been a China trip that [2] was scheduled and then canceled?

A: That's correct.

Q: "A second trip scheduled in which you, Mr. Young in and I were all to go to China for the purpose of seeing if we could facilitate some business in China that Mr. Young [7] had in mind." Let me stop there.

Is that an accurate or inaccurate statement?

A: It's not accurate.

Q: It is totally inaccurate or is there some truth to

[11] it but you just don't agree with it entirely? A: It is inaccurate about facilitating some business.

[13] They never asked me to facilitate any business. It's [14] inaccurate-go ahead.

Q: No, I'm sorry. Go ahead.

A: It's inaccurate. [16] ٠ŋ

Q: Inaccurate.

A: It is inaccurate. It was not accurate.

Q: Let me go on. He goes on to say, "It was during [19] those discussions that the question of forgiveness became real seriously considered. Mr. Young indicated to both you and me, and you and I also discussed, the possibility of forgiveness if," underscored, "Mr. Young could get some [24] business opportunities that would justify forgiveness of gsi such a large indebtedness.

A: That's correct.

Q: You indicated that in discussions with Mr. Ambrous Young that he might forgive the loan. Did he ever indicate to you why he might be willing to forgive the loan, what would lead him to forgive the loan?

MR. O'DONNELL: That's asked and answered. You

can go ahead and answer it again, if you want. THE WITNESS: I'm sorry. Why? m [8]

BY MR. BARON: Q: Yes. I might forgive the loan because-

A: The discussion of forgiveness began before I ever talked to Mr. Young, before I ever met him or talked to him.

112 Q: I'll accept that, but assuming that, in the course [13] of any discussions you subsequently had with Mr. Young about [14] forgiveness, did he ever indicate to you why he might be so (15

inclined? [16] A: I don't-I don't recall us ever having a [17]

conversation about why-about why. [18] Q: Let's turn to the last page of the letter. In the fourth line from the top, reading from the letter, Mr. Richards says, "In our last discussions, Mr. Young was still

trying to make some economic sense out of your trip so that he could be generous with you." Is that an accurate or an inaccurate statement as far as your testimony!

MR. O'DONNELL: Are you asking him what Mr. Young

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A: Again, this idea that we were all to go to China, I think this conversation he's talking about where we had a conversation about forgiveness was in Hong Kong on the trip to Hong Kong, not the trip to China.

Q: The trip to Hong Kong being the meeting you had on the board that you described? [11]

Didany such discussion take place as described in

Q: Well, that's my question. What's inaccurate about

A: That sentence is full of inaccuracies, too.

A: In 1995.

Q: Okay. [13] [14] A: And never was there any discussion with me of helping them with any business anywhere of any kind, ever. 1151

Q: Quite apart of helping them, I mean, working together to accomplish some sort of a business deal which might lead Mr. Young to forgive the debt, any discussions

(19) along those lines? A: There was never any discussion of foregiveness contingent on Mr. Young getting something in return. There was just no such discussion.

22 Q: He says later in the letter-I am now skipping down to the next-well, the last full paragraph. Do you see 25] that beginning, During our last personal discussion ...?

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Page 136 (1) was trying to do?

BY MR. BARON:

Q: Well, in the discussions, was Mr. Young trying to [4] make economic sense out of the trip so he could be generous [5] with you? Did you have discussions along those lines?

A: I took this sentence to mean in Dick Richards' and 77 Ambrous Young's discussions.

Q: That this does not refer to a discussion that you were involved in?

A: I didn't-I didn't take it to be that way.

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(22)

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Q: Have you ever been involved in a discussion with 112 Mr. Young and Mr. Richards in which what Mr. Richards is 13 stating here, that is, that Mr. Young was trying to make [14] economic sense out of your trip so he could be generous with

[15] you? Did that kind of conversation take place? MR. O'DONNELL: I just would object to that and [17] say it's, I think, an unintelligible question, Mr. Baron.

MA. BARON: I'll give it another try.

[18] MR. O'DONNELL: You can answer it again, if you (19) (20) wish. MR. BARON: Well, let me rephrase it.

BY MR. BARON: Q: As I understand Mr. Barbour's testimony, he didn't

124 take that sentence to refer to a discussion which he participated. My question is, did you ever have, quite

if apart from what he says here in this sentence, a discussion in which you did participate with Mr. Young and Mr. Richards in which there was such a discussion, as delineated here, Ti that is-

A: He never-Mr. Young never expressed this to me. That he was trying to make some economic sense? Q: Out of your trip.

A: No, sir. He never-that's why I took it that this was some discussion that I was not a part of.

Q: Now, did there come a time when the matter was [11] resolved between the National Policy Forum and Young [12] Brothers USA, Young Brothers Development USA?

A: There did-come to a resolution.

Q: And the resolution was approximately half of the [15] money was paid back to Young Brothers Development roughly in

net the area of 750- to \$800,000? A: 700 and something.

Q: And was that a decision in which you participated? A: Yes, it was.

Q: Anybody else participate in it with you?

A: The board of the National Policy Forum. Q: Did anybody at the RNC-where did the money come

(23) from to pay it back? A: The RNC loaned the money to the National Policy 25 Forum.

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[1] Q: Who participated in that decision? A: My staff and I and a couple of the lawyers.

Q: Since the default by the National Policy Forum on the loan, have you had any conversations with Ambrous Young?

A: Not that I recall.

(5) Q: Did you ever send him any correspondence since that time?

M MR. O'DONNELL: Do you want to identify the default date? Are you talking about the initial-9 BY MR. BARON: [10]

Q: Well, it would have been sometime between April, May, June of 1995, wouldn't it? No, '96.

A: Not that I recall.

Q: Did Mr. Rolton participate in discussions with you-I think you answered this one. Forgive me if I'm [14] is repeating a question. Do you recall, did Mr. Bolton (17) participate with you in the determination that the NPF was going to default on the bank loan? I thought your answer (16) III Was yes.

A: My recollection is that we had several [21] conversations

MR. BARON: Can we take maybe a 5- or 10-minute (22) (23) break, and I may be finished. [Recess.]

MR. BARON: Let's go back on the record

-- 470 Bana 167 (76)

BY MR. BARON:

Q: Mr. Barbour, I have no further questions. I appreciate your coming in and making yourself available, and I appreciate your counsel's cooperation. We will see you at the hearings. I would anticipate probably on Thursday. A: Yes, sir.

Q: I will stay in fouch with your counsel. As you know, it is kind of like trying a case, only worse. You

have even less control over how much time it takes to get through witnesses, but I would anticipate putting you on, on

Thursday as matters now stand. We will stay in touch. A: The sooner, the better.

Q: Good. Thank you for coming in.
MR. WEINSTEIN: Mr. Baron, can I put one thing on the record relating to another individual? I understand you (157 (16) all are considering serving a subpoena on Mr. Reed. He has

stated under oath in his deposition that he will appear [18] Voluntarily. MR. BÁRON: That's fine. (19)

MR. WEINSTEIN: A subpoens is not necessary.
MR. BARON: Well, then we won't serve it, and if 1211

tra it happens because it's already in process, he will not be garded as having come in only pursuant to subpoena.

MR. O'DONNELL: The same is, of course, true with

25 Mr. Barbour.

(Signature Not Waived.)

MR. BARON: That's good. [Whereupon, at 5:40 p.m., the taking of the deposition was adjourned.)

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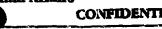
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# CERTIFICATE OF DEPONENT

I have read the foregoing	142 pages which contain
the correct transcript of the a	enswers made by me to the
questions therein recorded.	
	Haley R. Barbour
* *	*
Subscribed and sworn bef	ore me this
day of	, 19
	•
N	lotary Public in and for

My commission expires \_\_\_\_\_\_.

# CERTIFICATE OF NOTARY PUBLIC

I, THOMAS C. BITSKO, the officer before whom the foregoing deposition was taken, do hereby testify that the witness whose testimony appears in the foregoing deposition was duly sworn by me; that the testimony of said witness was taken by me stenographically and thereafter reduced to typewriting under my direction; that said deposition is a true record of the testimony given by said witness; that I am neither counsel for, related to, nor employed by and of the parties to the action in which this deposition was taken; and further, that I an not a relative or employee of any attorney or counsel employed by the parties hereto nor financially or otherwise interested in the outcome of the action.

THOMAS C. BITSKO

Notary Public in and for the District of Columbia

My commission expires: June 30, 1998

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EXHIBIT HANDONA/ 7-19-47-109

# DEPOSITION OF HALEY BARBOUR PRELIMINARY STATEMENT OF TERRENCE O'DONNELL JULY 19, 1997

As counsel for Mr. Haley Barbour concerning the Senate Governmental Affairs Committee's investigation of illegal or improper activities in connection with 1996 Federal election campaigns, I wish to clarify several points at the outset of this deposition in an effort to make it as useful and efficient as possible.

First, Mr. Barbour is appearing here today voluntarily and, as he informed the Chairman, Senator Thompson some time ago, he will appear voluntarily before the Committee (next week) when called. No subpoena is necessary.

Second, pursuant to S. Res. 39, the Senate, after considerable debate, authorized the Committee to expend funds "for the <u>sole purpose</u> of conducting an investigation of illegal or improper activities in connection with 1996 Federal election campaigns." S. Res. 39 (emphasis added); <u>see also</u> S. Res. 54 (as amended, Mar. 13, 1997). A congressional committee does not, however, "possess[] the power to examine private citizens indiscriminately in the mere hope of stumbling upon valuable information." *United States v. Orman*, 207 F.2d 148, 154-55 (3d Cir. 1953). I intend to enforce this important limitation today.

The limits of a congressional Committee's investigatory jurisdiction "are embodied in the authorizing resolution. That document is the committee's charter." Watkins v. United States, 354 U.S. 178, 200 (1957); United States v. Cuesta, 208 F. Supp. 401, 406 (D.P.R. 1962). In the case of S. Res. 39, there is no ambiguity as to the scope of the inquiry, and the Resolution's plain language circum scribes the Committee's authority. According to the unvarnished text of S. Res. 39, the Committee's jurisdiction extends "sole[ly]" to issues in connection with the 1996 Federal election campaigns. Such is the only reasonable construction that can be given to the words of the Resolution which emphasize that the "sole purpose" of the inquiry is to investigate "illegal or improper activities in connection with 1996 Federal election campaigns." S. Res. 39 (emphasis added).

See Darby v. Cisneros, 509 U.S. 137, 147 (1993) ("Recourse to the legislative history... is unnecessary in light of the plain meaning of the statutory text."); United States v. Wiltburger, 18 U.S. (5 Wheat.) 76, 95-96 (1820) (Marshall, C.J.) ("Where there is no ambiguity in the words, there is no room for construction. The case must be a strong one indeed, which would justify a court in departing from the plain meaning of words... in search of an intention which the words themselves did not suggest."); Bourjaily v. United States, 483 U.S. 171, 178 (1987) (Rehnquist, C.J.); Garcia v. United States, 469 U.S. 70, 75 (1984) (Rehnquist, J.) ("only the most extraordinary showing of contrary intentions from [the legislative history] would justify a limitation on the 'plain meaning' of the statutory language").

Michael Madigan, Esquire July 2, 1997

Even if it were necessary to resort to the legislative history to illuminate S. Res. 39 -- and I contend that it is not -- the entirety of that history confirms the plain language of the Resolution: the Committee's investigation is limited exclusively to issues in connection with the 1996 Federal election campaigns. The restricted nature of the Committee's mandate appears throughout the Senate's deliberative process leading up to the enactment of S. Res. 39. See. e.g., S. Res. 39 (as reported by Committee on Rules and Administration, Mar. 6, 1997); Amend. 21 to S. Res. 39 (offered by Sen. Glenn); Amend. 21 to S. Res. 39 (committee substitute, offered by Sen. Lott). In addition, the remarks of numerous Senators during debate on the Resolution -- including several members of this Committee -- remove any doubt as to the very limited contours of the Committee's jurisdiction.<sup>2</sup>

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I point out that where an investigatory committee exceeds its jurisdiction, a witness has no duty to respond to the committee's questions, Russell v. United States, 369 U.S. 749, 768 (1962); Deutch, 367 U.S. at 469-70; Cuesta, 208 F. Supp. at 406; Sacher v. United States, 356 U.S. 576, 577 (1958); Watkins, 354 U.S. at 214-15; United States v. Icardi, 140 F. Supp. 383, 387 (D.D.C. 1956), and if the questions asked are not pertinent, I may instruct Mr. Barbour not to answer.

Third, I may insist that counsel provide an appropriate explanation when asked how their deposition questions are pertinent to the Committee's mandate. The Supreme Court has clearly held that a witness has a right to such information. See Watkins v. United States, 354 U.S. 178, 214-15 (1957)("it is the duty of the investigative body, upon objection of the witness on grounds of pertinency, to state for the record the subject under inquiry at that time and the manner in which the propounded questions are pertinent thereto").

<sup>¥</sup> See, e.g., 143 Cong. Rec. S2119 (daily ed. Mar. 11, 1997)(statement of Sen. Thompson)("[T]he prelude . . . savs that we should look into illegal or improper activities or practices in the 1996 campaigns, 'including but not limited to \* \* \*.' So I think the original scope kind of speaks for itself there." (emphasis added; omission in original); 143 Cong. Rec. S2101 (daily ed. Mar. 11, 1997)(statement of Sen. Torricelli)("For several weeks, while we differed on the timing and the expense, we operated in a general belief that we had defined the parameters of a review of the 1996 Federal elections in the United States."(emphasis added)); 143 Cong. Rec. S2075-76 (daily ed. Mar. 10, 1997)(statement of Sen. Feingold)("The resolution before us today provides about \$4.3 million for the Governmental Affairs Committee to conduct an investigation into reported illegalities stemming from just the 1996 elections. . . . I am concerned, however, that this resolution is confined to the 1996 elections,"(emphasis added)): 143 Cong. Rec. S2067 (daily ed. Mar. 10, 1997)(statement of Sen. Cochran)("The Governmental Affairs Committee is charged under this resolution with responsibility of conducting an investigation into . . . activities surrounding the 1996 election campaigns.").

Michael Madigan, Esquire July 2, 1997

Fourth, I incorporate by reference my letter of July 17, 1997 (attached) regarding the enormous document productions of the RNC and the NPF which Mr. Barbour has not had an opportunity to review.

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Fifth, there has been a series of irregularities in the conduct of Minority staff. For example, I am aware that the Committee has received a letter from Peter Chapman, who was interviewed by Minority investigator named Gurwin. According to the letter, Mr. Gurwin stated that he was "on the offense looking for anything that might be used to discredit the other side and Haley Barbour in particular." If at any time during this deposition it becomes apparent that the deposition is being taken in pursuit of these ends, I reserve the right to terminate this deposition. I am also concerned about efforts by the Minority to contact my client and other represented individuals, without going through counsel, and thus in violation of the ethics rules of the bar.



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() () TERRENCE O'DONNELL (202) 434-5678 FAX (202) 434-5681

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EDWARD SENNETT WILLIAMS (1920-1968)
PAUL IL CONNOLLY (1922-1976)

July 17, 1997

# BY FACSIMILE

Michael Madigan, Esquire Chief Counsel United States Senate Committee on Governmental Affairs Washington, D.C. 20510 Alan I. Baron, Esquire Minority Counsel United States Senate Committee on Governmental Affairs Washington, D.C. 20510

re: Haley Barbour

#### Gentlemen:

I write on behalf of Mr. Haley Barbour in connection with his upcoming deposition by the Committee. As you are aware, Mr. Barbour served as Chairman of the Republican National Committee ("RNC") during the period relevant to the Committee's inquiry into the 1996 Federal election campaigns. In addition to his present employment with Barbour Griffith & Rogers, Mr. Barbour also serves as Chairman of the Board of the National Policy Forum (the "Forum"), a non-profit corporation, and has served in that capacity since the Forum was founded.

It is my understanding that Mr. Barbour's deposition is expected to cover activities concerning both his tenure at the RNC and at the Forum. Each of these organizations has produced or made public an enormous quantity of documents and other materials — some 60,000 to 80,000 pages of records from the RNC, and over 30 boxes of materials from the Forum. Mr. Barbour has not, of course, had the time to review such an immense volume of materials in preparation for his deposition, and I doubt very much that he will have the chance to review more than a small fraction of these materials by the time he is deposed. The sheer volume of materials about which Mr. Barbour may be asked makes it unlikely that Mr. Barbour will be familiar with any given exhibit that may be used at his deposition. More importantly, without sufficient time to view and reflect on the subset of materials that interest the Committee, Mr. Barbour will be unable to discuss authoritatively many of the events and circumstances surrounding deposition exhibits. His job at the RNC alone involved the direct and indirect supervision of up to 280 employees and required

Committee Counsel July 17, 1997 Page 2

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meetings with countless other individuals. It often demanded seven work days per week, and a morning-to-night schedule. This is, course, in addition to Mr. Barbour's responsibilities to the Forum. Without an opportunity to review the relevant materials and reflect on the circumstances surrounding them, Mr. Barbour simply cannot be expected to have comprehensive, accurate recall of events and situations that interest the Committee as it pursues its inquiry into the 1996 Federal election campaigns.

Mr. Barbour desires to be as heipful to the Committee as possible. To maximize the usefulness of Mr. Barbour's deposition to the Committee and to expedite the deposition, I ask that we be provided with a copy of all exhibits and testimony of other witnesses about which Mr. Barbour may be questioned. I also ask that the Committee provide a description of the areas on which Mr. Barbour may be questioned, in order that he may have a chance to reflect on those areas and thus be in a position to give the fullest possible testimony.

Finally, as you are aware, the Rules of the Committee require that Mr. Barbour be provided with a copy of his deposition transcript for his review and correction. Mr. Barbour's deposition transcript will undoubtedly be used by the Committee during Mr. Barbour's testimony next week, as well as the testimony and depositions of other witnesses. Because of this schedule, I ask the Committee today to commit to provide Mr. Barbour with his review copy no later than twenty-four hours after the deposition concludes in order that he may read the deposition and make any necessary corrections in a timely manner. The Rules of the Committee ordinarily afford a witness five days in which to review deposition transcript; however, if the Committee will commit to providing — and provide — transcript within twenty-four hours of the conclusion of Mr. Barbour's deposition, he will endeavor to make any required corrections prior to his appearance before the Committee.

Sincerely,

Terrence O'Donnell

Counsel for Haley Barbour

## MEMORANDUM

TO:

Haley Barbour

Mike Baroody

Ken Hill

FROM:

Scott Reed

DATE:

June 2, 1993

SUBJECT:

NPF Action

1. Survey Research Mailing

- Sample needs to drop July 1 (1,000 dignitaries)
- Need approval on letter and questionnaire
- John Grotta has mechanical lead
- . Questionnaire has been slow in developing and needs immediate attention
- 2. Fundraising
  - Need to develop target list to approach
  - Finalize business plan to present
  - Agree on endowments
  - Lauder, Krieble, Fischer, Chambers, Forestman Balkanh N AHB
  - Steve Bell Solomon Bros.
  - Foreign
  - Develop budget/cash needs
- 3. Develop Policy Councils
  - Titles
  - Appoint leadership
  - Senate and House staff assistance
- 4. Appoint Board of Directors/Executive Committe
  - Financial commitment?
  - Brock?
- 5. Prepare Documents for Chicago RNC Meeting
  - July 8-10
  - Include positive press clips
  - Need HB approval early



- Update organizational chart
  Fill key positions communications
  Appoint Blake Hall General Counsel

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229 1/2 Pennsylv\_ia Avenue, \_\_\_\_ Wasan Ro.

# A Republican Center for the Exchange of Ideas

Haley Barbour Chairman

John R. Bolton President

August 22, 1996

The Honorable Jason C. Hu
Representative of the Taipei Economic
and Cultural Representative Office
4201 Wisconsin Avenue, N.W.
Washington, DC 20016

EXHIBIT

SALBOUT

7-14-800

Dear Ambassador Hu:

I want to thank you personally for the Pacific Cultural Foundation's most generous contribution in support of the National Policy Forum (NPF).

As you know, financial support is necessary to fund our series of conferences addressing issues that are important to all of us. The Foundation's willingness to help underwrite our Member Trade Briefing is greatly appreciated and enables NPF to continue to develop and advocate good international policy.

Again, I deeply appreciate your assistance in our receipt of this contribution.

Sincerely.

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NPF 003203

Phone 202 544-2900

Fax 202 544-0296



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A Republican Canter for the Exchange of Ideas

HALEY BARGUR CHAMMA M M MCCASE E SARCOCY AVESSAR

June 28, 1994

MEMORANDUM FOR CHAIRMAN BARBOUR

. FROM:

MICHAEL BAROOD FINE

SUBJECT:

SOME REASONS FOR RESIGNATION

A Confidential Memorandum to Accompany my June 26 Letter of Resignation as President of NPF

Inst days more than a year ago, you and I announced publicly the formation of the National Policy Forum. In an accompanying letter of resignation. I have recalled what I thought was our agreement about its high purpose and achievable objectives — of listening to America and developing policy on the basis of what we heard and what members of the NPF's policy councils thought.

We knew this effort would be difficult. Logistically, politically, administratively, the effort was to be a complex one. Financially too, it was daunting, though it was suggested to me in early, pre-July conversations with you and others, that substantial pledges were already assured and even that two prospective donors were each expected to contribute \$1 million. We also discussed your belief that considerable money could be raised for this effort from foreign sources. I told you again even before starting at NPF, that I thought you were right about the possibility foreign money could be raised, but thought it would be wrong to do so. The idea, nonetheless, seemed to hold some fascination and continued to be discussed until well after Denning came on the scene. My recollection is that the opposition to foreign sources expressed by the then new volunteer finance chair finally put an end to such speculation sometime after the first of this year.

Even conceptually in my view, much work remained to be done at the start, to refine the NPF concept. I thought there was agreement on this latter point — that there was much conceptual thinking still to be done; but found out soon after starting on July 1st of last year, that there was not such agreement. It became increasingly apparent that you envisioned my job to be one of implementing a design already thought-through and complete while I envisioned my initial task to be refining what I thought to be less than well and fully thought-out. I believe the serious concern you expressed to me about the agenda for the 1st forum provides a case in point. Before the event you expressed grave

lican solutions. After the event you were critical of the legislators we invited for the 2nd panel because they were "too partisan." Subsequently, your staff told me you thought we ought to avoid inviting legislators for that reason. This is one example of the lack of conceptual clarity I thought a problem. Even on the issue of attendance, there was a similar problem. You were quick to label Orlando's turn-out "unacceptable." I confess to being disappointed myself but am mindful of the fact that we had never defined what "acceptable" turn-out meant. Is attendance of 175 over the course of a day in Orlando unacceptable? Is a more recent turn-out in San Antonio of two dozen — produced with a much more elaborate events management staff than NPF enjoyed last November — OK?

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As I told Denning at one point, the NPF needed two things done well to succeed. Good implementation, to be sure, and good conceptualization.

I believe that what has happened over many months has undermined my efforts distorted our purpose, blurred the separation of RNC and NPF in such a way as conceivably to jeopardize our 501(c)(4) application, and has occasioned the inexcusable. heavy-handed treatment of volunteers with the NPF.

Virtually from the start, it became clear there were major differences between us in approach. We had very little direct contact. Instead, I met routinely with your RNC staff.

I had understood at the outset this would be an organization separate from the RNC. Though both would be chaired by you, they would operate distinctly. I had this understanding not only because you and others told me so, but because the deliberate decision had been made to organize the NPF under section 501(c)(4) of the federal tax code. That provision requires separate operation. Especially in recent months, it has become increasingly difficult to maintain the fiction of separation.

The Fresno Forum was a case in point. My strong view that our 501(c)(4) application required that we not respond to pressure from party organizations either to cancel the event or remove an invited "listener" from the panel were unequivocally shared by outside counsel to the NPF and communicated by both of us directly to you. These concerns were dismissed by you (and by one of your staff, as so much "legal b.s.") and staff here were directed to respond to party pressures in a way I thought put our "(c)(4)" status in jeopardy. Upon learning of this after the fact — not from me but from our Washington-based counsel — NPF's General Counsel, also a member of the RNC, agreed that the response to party pressure was inappropriate and could put NPF's application for tax status at risk. He stated his agreement on this in a phone conversation with me after he had learned of the matter and after he had learned of its disposition.

From our conversation earlier today, I know you see and recall the manter differently. I have, however, a distinct recollection of conversations with the lawyers. Even

reminded me that our Washington-based counsel had shared with me a draft letter about the issues raised by the Fresno event. The draft began:

I spoke with Haley last night with regard to the Dooley situation in Fresno. His wishes and directions are as follows.

In order to prevent the forum from becoming a political event, Haley directs that Dooley be removed as a member of the Listening Panel and be invited to participate as a member of the audience.

It was clear, first, that she was not drafting a legal opinion on Fresno but memorializing your "wishes and directions." Second, out of a concern for your position in this matter, I asked whether the explicit reference to Fresno and specifically to your decision-making in the matter was prudent. She agreed, on reflection, that it was not prudent and finalized a draft that set policy for the future with no reference to Fresno or your involvement with it.

Other examples underscore my concern that separation between NPE and RNC-is a fiction. The interim health care report was not released because it was thought that doing so would interfere with GOP advertising you had undertaken. This, I believe not only inappropriate, given NPF's 501(c)(4) application, but also counter-productive, given that the interim report would have reinforced the message of the ads by pointing out that what Republicans would wish to do about health care matched what people we listened to want done about health care.

I note one other example that raises the "separate organization" issue. The production of the Listening to America summary report was turned over to RNC staff. I was informed they would volunteer their time — which I believe to be another fiction. In the letter that ac ompanies this memorandum, I offer some detail as to why this was a problem and how serious a problem I believed it to be. In addition, your recent disclosure to me of an arrangement with the printer to produce the summary report at a discount of \$200,000 if deadlines were met was not only previously unknown to me, but unknown to your hand-picked COO who told me he learned details of this (only after I raised it with him) from your staff who apparently made the printing arrangement. Since figures I was shown here yesterday by our accounting staff shows the total cost for the report — printing, postage and production — is about \$200,000, this remains confusing to me.

The sentiment of much of the staff here is that we are operated like a division of the RNC. You may recall a meeting last Fall when I voiced my concern and disappointment that you and I had not spent much time at all together (I had expected we would especially in the early weeks, so that we could come to basic conceptual agreement on how best to operate NPF — what's "acceptable?" for example, and What's not?) Your chief of staff objected quite forcefully to my statement. He and I had met routinely, he

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-id -- naint was that you and I had not.

In addition to the "fiction" of separate organizations, I have additional major concerns with the operation of NPF. Commitments made to me at the start have been broken. For one example, you provided me with written assurance of hiring authority, adding that "From time to time, I will recommend individuals to you who (sic) I believe would be assets to the organization, but you need not consider them to be must hires." With the hiring of Denning and Howlett, and generally with hiring since, that commitment has been shattered.

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Also, I have been increasingly troubled by the heavy-handed manner in which very high level volunteers with NPF have been treated — and much of my own personal time has been taken up with my efforts to counter this. One person on staff here (whose hiring to a senior capacity you ordered) directed that language on the very sensitive issue of abortion be withheld from a member of Congress who was the relevant council cochair. The language in question was withheld from her until about literally the I Ith hour (according to the production schedule he insisted must be followed) — even though we were to publish the language in a report to be associated with her. Such arrogant treatment of a member of Congress is unacceptable; I do not wish to be associated with it. We asked her to be co-chair, not the other way around.

As you and I have more recently — but separately —learned, the charge has been made that the same individual at NPF has informed another very active and involved co-chair that the RNC wishes her to withdraw from a congressional race where she is an announced candidate. Among the many problems with this are the fact that: (1) it is totally inappropriate for an official of NPF to be engaging in a matter so inherently campaign-related; (2) that it was allegedly done at the apparent direction of RNC staff without even the knowledge of myself or others at NPF; end, (3) that it is a hell of a way to tell a dedicated NPF volunteer and council co-chair "thank you" for all your help. This, too, if true, is totally unacceptable and represents activity and astonishingly flawed judgment with which I do not wish to be associated.

Again, from our conversation of earlier today I recognize you have a view that this is not true and the co-chair's concern, while understandable, stems from a misunderstanding. My information, unfortunately, suggests to me powerfully that she feels certain she did not "misunderstand" what the NPF official told her. While I want to hope that you are correct about this, I fear you are not and urge you to be very sure on this. I think we agreed in our earlier conversation that if true, the effect politically on the party, institutionally on the NPF and personally on you could be very serious.

I was also troubled by the conversation you and I had about including language in the summary of defense policy which, though you did not suggest this. I felt the need to discuss with the council co-chair. Had I not discussed it with her, and urged you to do the same when you and I could not agree, I believe the additional language you envisioned—a version of which appeared in one iteration of the "page-proofs" for the report—would have, at least, been embarassing to NPF and the co-chair in question if not destructive to

One other major point merits mention. At the outset, you and I agreed (it was publicly announced, in fact) that NPF would start with loaned seed money from the RNC. Until revenues began to materialize, I was determined to keep expenses down. In consultation with you (through your staff) I was encouraged to do so and even to hold off hiring needed additional staff for events management at the same time pressure to begin forum meetings from you was mounting. I called this at the time "Hitting the brake and pressing the accelerator at the same time." Ken Hill may recall that during this period. I would not even authorize purchase of a TV. Consequently, at the end of 1993, the staff here was well under 20 (among these were several young people at hourly, minimum wage pay levels) and the indebtedness of NPF to the RNC was approximately one-tenth the amount anticipated for the end of this July. Only after the 1st of the year, with the arrival of a COO did staffing balloon to near fifty and debt begin to mount to current, previously unforeseen levels, not so much because of any mismanagement but because revenues lagged persistently and substantially behind expenditures. Again, the point here is that I will not be held respon-sible for what I was not allowed to control.

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The above does not exhaust the list of my concerns. Largest among them is my continuing belief that we could have better achieved what at the start I thought we agreed was the shared objective of mounting a serious, well-thought-out and well-executed policy development effort that started where it ought to start - with the views of people around the country and with solid conservative Republican principle. Instead, we found ourselves consumed by a numbers game, with pretty much the entire staff here focused on holding as many meetings as possible to accumulate numbers and - in the annoying phrase of the Vice President for Policy - "hitting the Bogie." Counter-productively, this often yielded very disappointing audience turn-out and events that were not well-planned in terms of trying to build a record. Also, it eliminated the possibility of an additional, deliberate focus on the search for "ideas that work" which our early forum in Ft. Mitchell - with visits to magnet schools and home-schooling families - had shown to hold great promise. Soon, "It's the Forums, Stepid" became the operating principle here and came to be taken literally -mesning that scheduling forums, holding them, and moving on to the next one was not just an important focus, but the virtually exclusive focus of staff activity here

The purpose of this memo is what I have labelled it to be — to serve as a confidential communication from me to you. I have no intention and no desire of spreading these concerns around (the question of any obligation I may have to the Board, not so much to detail my concerns — and certainly not to share with them this memo — but to state that I have some concerns that are serious is an issue, however). There is also, in my twenty-five year professional record, no precedent for activity on my part that equates to "spreading around my concerns." I say this to underscore that my purpose with this document is to air issues between us, not with others.

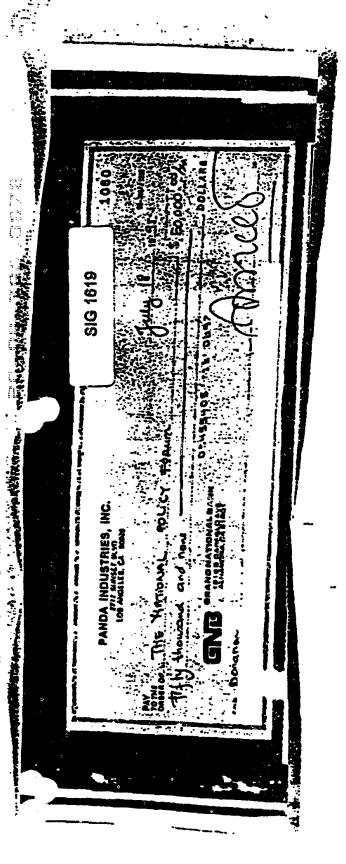
In the letter accompanying this memo. I tender my resignation as president of the National Policy Forum and discuss the need for the tenns and conditions of that resignation to be what I think fairness and equity would require.

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Finally, it has been constantly a frustration over the last year that my concerns, ideas, and judgment have so often been dismissed, if listened to at all, and more often have been totally ignored. Major changes in direction (e.g. the decision to switch focus to publication of a "summary" report) have been made without any consultation with me at all, and without sufficient comprehension of how significantly they disturbed work product, staff morale, or the policy councils' longer-report-writing process. Plans for the next phase of activity are being made similarly, without any consultation. I would prefer to believe that much of this and other problems (some of which are mentioned above, others documented elsewhere) occurred without your full knowledge, but for the reason mentioned in closing below, I cannot be sure of that.

Among the many ironies of the last year, perhaps the largest has been this: We set out to Listen to America, but never really listened well to each other.

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May 20, 1997

DIRECT GIAL NUMBER:

215-569-5729

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n in set Edward K. Karcher, Chief
Exemption Organizations Technical Branch 3
Internal Revenue Service
Attention: CP:E:E0:T:3, Room 6137
1111 Constitution Avenue, N.W.
Washington, DC 20224

EXHIBIT

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7-19-97 @

Re: National Policy Forum: Protest to

Proposed Section 501/2:/4) Determination

Dear Mr. Karcher:

On behalf of National Policy Forum, I enclose our protest of the Internal Revenue Service's February 21, 1997 determination that National Policy Forum does not qualify for recognition of tax exemption under Section 501(c)(4) of the Internal Revenue Code. By letter dated March 25, 1997, you extended the protest due date to May 22, 1997.

As noted in the protest, a conference is requested. I also enclose a Power of Attorney authorizing our representation of National Policy Forum.

Please contact me to arrange a mutually convenient time for a conference when you have had a chance to review the enclosed protest and materials.

Very truly yours,

DAVID M. KUCHINOS

DMK:cr Enclosures

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1400 M. PROVIDENCE RD., SUITE 301 MEDIA, PA 18063-2091 610-691-7800

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May 20, 1997

DIRECT DIAL NUMBER:

215-569-5729

#### FEDERAL EXPRESS

Internal Revenue Service

Attn: CP:E:E0:T:3

1111 Constitution Ave., N.W.

Washington, DC 20224

Attention: Edward K. Karcher, Chief

Exempt Organizations Technical Branch 3

Re: National Policy Forum; EIN: 52-1827887;

Key District: Southeast (Baltimore, MD)

### Dear Mr. Karcher:

This is a protest of the findings contained in your determination letter dated February 21, 1997 ("Determination Letter"). On March 25, 1997, you extended to May 22, 1997 the time in which to file a formal protest of your findings. The following information is provided:

1. Name and Address of Applicant Organization:

National Policy Forum ("NPF") 229 1/2 Pennsylvania Ave., S.E. Washington, DC 20003

- 2. NPF appeals the findings contained in your Determination Letter and requests a conference.
- 3. The Determination Letter contains the symbols CP:E:EO:T:3.

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Edward K. Karcher, Chief May 20, 1997 Page 2

- 4. The issue involved is NPF's status as an organization exempt from federal taxation under Section 501(c)(4) of the Internal Revenue Code. 1
- 5. NPF disagrees with the Commissioner's determination that it is not an organization exempt from federal income tax under Section 501(c)(4).
- 6. Facts in Support of NPF's Position:

NPF was incorporated on May 24, 1993 under the non-profit corporation laws of the District of Columbia. Its Articles of Incorporation provide that NPF is organized for the following purposes:

To encourage the involvement of citizens in free and open debate, the public exchange and development of ideas, discussions, dialogues, conferences, and discourses, to promote public forums, seminars and colloquia and information dissemination to the general populace, to develop a national Republican .. policy agenda and to serve as a clearinghouse for the collection and review of research and ideas on issues affecting foreign affairs, national security, economy, environment, energy, government lands, commerce, labor, federal budget, government restructuring and regulatory reform, fiscal and tax policy, international trade, education, states, cities, urban and suburban life, crimes, justice, judicial reform, human services, health care, agriculture, rural life, small business and entrepreneurial enhancement and other issues of concern to or affecting the citizens of the United States of America.

In addition, the corporation shall have all other powers now or hereafter granted to non-profit corporations pursuant to the District of Columbia Non-Profit Corporation Act to be used in furtherance of the above purposes. Notwithstanding the foregoing, however, the Corporation is organized to operate

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Edward K. Karcher, Chief May 20, 1997 Page 3

exclusively for social welfare purposes within the meaning of Section 501(c)(4) of the Internal Revenue Code of 1986, as amended ("Code") (or corresponding provisions of any subsequent federal tax laws), and shall neither have nor exercise any power or authority, either expressly, by interpretation, or by operation of law, nor directly, nor indirectly, engage in any activity that would prevent it from qualifying and continuing to qualify as an organization described in Section 501(c)(4).

NPF is an organization founded solely on the exchange of ideas. NPF's quarterly publication, <u>Common Sense</u>, describes NPF as follows:

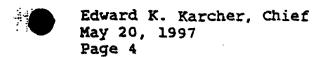
The National Policy Forum is a broad-based, inclusive organization designed to makes [sic] sure the wisdom and common sense of the American people dominate the national policy debate. While the National Policy Forum begins with Republican principles of small government and more freedom, it seeks to include the broadest spectrum of the American public possible -- regardless of party affiliation -- in the development of ideas based on those principles. Accordingly, the Journal invites the ideas of authors, which, though they may not necessarily reflect the views of the Forum, can be instructive to those interested in contemporary questions of public policy. (Emphasis added.)

In its publication, <u>Listening to America</u>, two copies of which (Prospectus and Summary Report) are attached as Exhibit A, NPF is described as a broad-based, inclusive organization designed to go out to the grassroots to listen to Americans about issues on their minds and to conduct a search for "ideas that work." The basis for its existence is described as follows:

The National Policy Forum is founded on three simple premises:

that fundamentally, ideas make the difference in 0020 politics;

3:



- that traditionally, ideas that make a difference have been associated with political parties; and,
- that currently, workable ideas are more likely to be found at the <u>grassroots</u> than in Washington.

# Listening to America continues:

The National Policy Forum, a Republican Center for the Exchange of Ideas, is reaching out to its citizens from all walks of life to re-establish channels of communication across Rather than looking to Washington America. for answers to America's problems, the National Policy Forum looks to our citizens whose energy and ideas have always been pillars of successful American government and policy. We hope to find ideas for national policy and to discover the innovative solutions that flow from the workplace, the meeting halls, the local council chambers, the churches and civic groups, the boardrooms, and the living rooms of America. (Emphasis adde . )

As stated further in <u>Listening to America</u>, "The Tools" which are used by NPF to accomplish its goals are its Policy Councils:

Each of the Policy Councils will conduct a search for ideas by holding public and intensely participatory grassroots forums across the country. These meetings will serve as a means for citizens, businesses, and community leaders to express their ideas and opinions about public policy.

With the emphasis on grassroots participation, the forums will be coordinated with state and local organizations, including universities and other educational institutions, associations, civic and community groups, and other volunteers who will recruit participants from the general public. (Emphasis added.)

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NPF exists solely to exchange ideas among the citizens of the United States. The promotion of social welfare and awareness

is NPF's clearly defined mission. Between the time of NPF's formation in 1993, and mid-1994, thousands of Americans participated in the initial phase of its work. NPF's 14 Policy Councils held more than 60 public forums across the country. They also held scores of smaller meetings. More than 10,000 people attended the public forums with crowds ranging from a few dozen to several hundred. Forums were televised. Local media coverage was almost invariably attained, and it was usually very See, Listening to America (Summary Report) at pp. 2favorable. Based upon the meetings held by the Policy Councils from Seattle to Orlando, and from San Diego to Portland, Maine, the grassroots public forums sponsored by NPF provided opportunities to participate in the process. Instead of focusing on what a few national experts had to say, NPF created a dynamic dialogue that reflected the ideas of the average American. The specific policy areas addressed by NPF's 14 Policy Councils are as follows:

Free Individuals in a Free Society
Reforming Health Care
Strengthening the Family
Safe and Prosperous Neighborhoods
Improving Schools and Education
Stimulating Economic Growth and Work Place Opportunity
Entrepreneurship and Small Business
Reducing the Size and Scope of Government
Natural Resources and Energy
The Environment
Competing in the Global Market Place
U.S. Leadership in a Changing World
Maintaining Peace Through Strength
Reforming the Legal and Regulatory Systems

As NPF's Articles of Incorporation state, NPF has no members. Its board of directors, however, consists of "distinguished Americans, leaders from public and private sectors, and a Coordinating Council of prominent individuals." These leaders assist NPF in accomplishing its goals by "chairing" its participatory grassroots forums. NPF does not exist to 0022



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Edward K. Karcher, Chief May 20, 1997 Page 6

support, advance, or participate in the political campaign of any candidate or group of candidates, and it did not do so.

#### Law in Support of Taxpayer's Position: 7.

National Policy Forum Seeks Tax-Exempt Status Under Section 501(c)(4) -- Not Section 501(c)(3).

The legal analysis contained in the Determination Letter begins by reviewing a series of revenue rulings that either recognize or fail to recognize exemption under Section 501(c)(4) based upon the benefit received by members of the applicant organization. The IRS recognized tax-exempt status under Section 501(c)(4) where the organization was formed to participate in governmental and political affairs by holding seminars and workshops on college campuses including participation by political leaders from both local and national levels (Rev. Rul. 60-193, 1960-1 C.B. 195) and denied recognition of tax-exempt status in situations, usually involving cooperative organizations, that were found primarily to benefit the members of the group that organized on a cooperative basis. See, e.g., Rev. Rul. 73-306, 1973-2 C.B. 179 and Rev. Rul. 73-349, 1973-2 C.B. 179.

The Service's analysis also included a review of Rev. Rul. 75-286, 1975-2 C.B. 210, where it was determined that a membership organization formed to preserve and beautify a city block did not qualify for recognition of exemption Section 501(c)(3) because the organization enhanced the property value for its members and thus served the private interests of its The Service held, however, that the organization could qualify under Section 501(c)(4) because a sufficient benefit was conferred on the community as a whole and the primary benefit was to the community.

After reviewing the authorities under Section 501(c)(4), the Service analyzed several rulings and cases under Section 501(c)(3) and noted specifically the Tax Court's decision in American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989). The Determination Letter cites the denial of tax exemption to American Campaign Academy under Section 501(c)(3) as support for the position that NPF should not be recognized as tax-exempt under Section 501(c)(4).

There are very substantial differences between exempt status 501(c)(4). Section 501(c)(3) prohibits any political activity of  $0^{23}$ 

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an organization. This is an absolute prohibition and does not require substantial activity. Reg. Sec. 1.501(c)(3)-1(c)(3)(iii). Section 501(c)(4), to the contrary, permits participation in direct political activity, such as urging members to vote for particular candidates, so long as electioneering is not the organization's primary activity. See, Rev. Rul. 81-95, 1981-1 C.B. 332, attached as Exhibit B. In its Determination Letter, the Service compares NPF to organizations which have sought tax exemption under Section 501(c)(3) and ignores its published position in Rev. Rul. 81-95 regarding Section 501(c)(4).

Organizations exempt under Section 501(c)(3) must satisfy four criteria: the organization must be organized for exempt purposes; no part of the organization's net earnings may inure to the benefit of any private shareholder or individual; no part of the organization's activities may constitute intervention or participation in any political campaign on behalf of any candidate for public office; and no substantial part of the organization's activities may consist of political or lobbying activities. American Campaign Academy v. Commissioner, 92 T.C. 1053, 1062 (1989). American Campaign Academy is the case under which the Commissioner analyzed NPF. However, NPF seeks exemption under Section 501(c)(4), which was neither addressed nor analyzed in American Campaign Academy.

Another distinction between Section 501(c)(3) entities and 501(c)(4) entities is the amount of time that the organization can devote to nonexempt functions. Specifically, Reg. §1.501(c)(3)-1(c)(1) provides that an organization will not be considered as "operated exclusively" for Section 501(c)(3) purposes "if more than an insubstantial part of its activities is not in furtherance of an exempt purpose." Conversely, Reg. §1.501(c)(4)-1(a)(2)(i) states that an organization will be considered to operate exclusively for the promotion of social welfare if it is "primarily engaged" in promoting the common good of the members of the community. The grassroots mobilization of ideas, which has been NPF's exclusive activity, shows that NPF is at the very least "primarily engaged" in promoting the common good of the citizens of the United States.

In GCM 36557 (1976), the taxpayer at issue was engaged in the practice of making available to the public names of candidates for public office who signed its ethical code. The issue presented was whether, under Section 501(c)(3), this activity was tantamount to participation or intervention in political campaigns. The Commissioner determined that the

taxpayer was engaged in prohibited political activity; however, the Office of Chief Counsel suggested that recognition of tax-exempt status under <u>Section 501(c)(4)</u> should be considered.

In the context of political activity, Section 501(c)(4) is understandably much broader than Section 501(c)(3), as evidenced by the fact that contributions to a Section 501(c)(4) organization are not tax deductible. Organizations exempt under Section 501(c)(4) must be operated exclusively for the promotion of social welfare by being primarily engaged in promoting in some way the common good and general welfare of the people of the community. NPF has shown the Commissioner that it is a grassroots organization dedicated exclusively to discovering ideas and encouraging dialogue. NPF has plainly not engaged in any political campaign activities.

# 1. NPF Exists to Promote Social Welfare

The Determination Letter concludes that NPF appears to be a partisan, issues-oriented organization "designed to promote the Republican party and politicians affiliated with the Republican party." While NPF strongly disagrees with this conclusion, the Commissioner has published a revenue ruling that supports recognition of exempt status under Section 501(c)(4) in the case of an organization that intervenes in political campaigns on behalf of or in opposition to candidates for political office. Rev. Rul. 81-95 is a very significant public pronouncement concerning Section 501(c)(4) organizations. Yet, this revenue ruling was never mentioned in the Determination Letter.

Rev. Rul. 81-95 provides that, in order for an organization to be exempt from tax under Section 501(c)(4), it must be primarily engaged in activities that promote social welfare. The revenue ruling holds that the regulations under Section 501(c)(4) "do not impose a complete ban on [political] activities for section 501(c)(4) organizations." Rev. Rul. 81-95 holds that an organization "may participate in lawful political campaign activities involving the nomination or election of public officials without adversely affecting its exempt status."

NPF never participated in political campaign activities. The only political tone to NPF is its grassroots Republican ideas. Indeed, the Determination Letter concludes that NPF is an "issues-oriented organization," adding only the Service's conclusion that NPF is "partisan." The point of discussing Rev. Rul. 81-95 is not to fit NPF within its holding but, rather, to point out that NPF would qualify under Section 501(c)(4) even if

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it were partisan and even if it were more than an issues-oriented organization. The Service admits this point in its 1994 Exempt Organizations Continuing Professional Education Technical Instruction Program Textbook ("1994 CPE Text"). At page 195 of the 1994 CPE Text, the authors conclude that "several published rulings have concluded that organizations primarily engaged in advocating a particular point of view on an issue of public concern, through lobbying and public education qualified for exemption under Section 501(c)(4)" (citing Rev. Rul. 67-293, 1967-2 C.B. 185; Rev. Rul. 68-656, 1968-2 C.B. 216; and Rev. Rul. 76-81, 1976-1 C.B. 156, among others). See also PLR 9652026 (holding that a Section 501(c)(4) organization may participate or intervene in political campaigns and remain exempt under Section 501(4)(c) so long as the organization's primary purpose is promoting social welfare).

Social welfare specifically includes activities which educate the public, lobby public officials, or both. social welfare, NPF promotes dialogue from the grassroots up, not from political candidates down. To foster NPF's efforts to promote social welfare, it publicaes written material, including Common Sense, a journal which "invites the ideas of authors, which, though they may not necessarily reflect the views of the Forum, can be instructive to those interested in contemporary questions of public policy." Common Sense is concerned with publishing articles regarding basic issues regardless of partisanship. For example, published articles, which concerned grassroots issues, included: "Saving Medicare," Summer 1995; "Telecommunications Law Reform: Reinventing Competition," Spring 1995; and "NATO and U.S. Interests, "Winter 1995." Common Sense did not promote any political campaign or candidate; rather, it was a quarterly publication existing solely to educate and promote social welfare among the public.

In addition to its publications, NPF has organized conferences on various topics. For example, NPF has organized forums with speakers from many different professions. The purpose of these conferences is to inform and educate members of the public at large.

NPF has only been involved in promoting social welfare through the exchange of ideas. NPF has never even engaged in campaign activities. The Service accuses NPF of being partisan, i.e., advocating a particular point of view on issues of public concern. While NPF disputes this categorization, if true, it would nonetheless allow NPF to qualify under Section 501(c)(4)

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under the Service's analysis of the published rulings cited in its 1994 CPE Text.

2. National Policy Forum Operates Exclusively to Benefit the Entire Community.

Rev. Rul. 75-286 concerns an organization which was formed to preserve and beautify the block on which its residents lived. The goal of the organization was to improve all public facilities within the block and to prevent physical deterioration of the block. The Commissioner determined that, because this organization operated to the benefit of private interests, i.e., the members of the organization who lived on the block, it could not qualify for tax exemption under Section 501(c)(3). The Commissioner did hold, however, that the organization, which directly benefitted only a few individuals, was qualified for exemption under Section 501(c)(4).

NPF is a grassroots organization which seeks to include the broadest spectrum of ideas from the broadest spectrum of the American public, regardless of political party affiliation. The Commissioner, however, opines that NPF provides a significant amount of benefit to select individuals. But, the Commissioner analyzed this factor under American Campaign Academy v. Commissioner, supra, which is a case decided under Section 501(c)(3) -- not Section 501(c)(4).

In American Campaign Academy, the Tax Court held that the organization's activities benefitted the Republican Party and its candidates more than incidentally. Therefore, the court held that the organization served a substantial nonexempt purpose and was not tax-exempt -- under Section 501(c)(3). The Court never suggested, held, or implied that the same standards should apply under Section 501(c)(4). In fact the Court in American Campaign Academy never mentioned Rev. Rul. 81-95, which existed well before the Court's opinion was filed. The reason is simple - Rev. Rul. 81-95 deals exclusively with Section 501(c)(4), which was irrelevant in American Campaign Academy.

In the Determination Letter, the Commissioner announced that the "private benefit standard used in American Campaign Academy is similar under Section 501(c)(4). The difference is in the weighing of the private benefits..." But, there is no authority for this conclusion. Indeed, the Code does not preclude a Section 501(c)(4) organization from engaging in political activity, and, in fact, the Regulations specifically recognize that an "action" organization can qualify under Section



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Edward K. Karcher, Chief May 20, 1997 Page 11

501(c)(4). Reg. § 1.501(c)(4)-1(a)(2)(ii); Rev. Rul. 81-95. Reg. § 1.501(c)(3)-1(c)(3), provides that an organization is an "action" organization "if a substantial part of its activities is attempting to influence legislation by propaganda or otherwise." The Regulations thereby sanction political activity of a Section 501(c)(4) organization that is significantly more partisan than even the IRS's description of NPF's activities.

NPF's purpose is to engage in dialogue with the public -- citizens across the United States. NPF does not benefit particular individuals. NPF qualifies for recognition of tax exemption under Section 501(c)(4) because it is primarily engaged in promoting the common good and general welfare of the people of the United States.

b. National Policy Forum's Loans From the Republican National Committee Were All Made at Fair Market Rates.

In the Determination Letter, the Commissioner states that "there was no indication that the terms of the loans (with the Republican National Committee) reflect commercial market rates." But, all loans from the Republican National Committee were negotiated at commercial market rates.

For example, in NPF's Application for Recognition of Exemption Under Section 501(a), NPF disclosed that it had at that time secured a \$100,000 loan at the prime plus 1-1/2 percent interest. Moreover, on its 1993 and 1994 federal returns, NPF reported additional loans from the Republican National Committee, all of which carried interest at prime plus 1-1/2 percent. All of NPF's loans from the Republican National Committee were negotiated at fair market interest rates.

c. National Policy Forum Exists Under the Same Principles as Does the Democratic Leadership Council.

The Commissioner acknowledges that NPF is issues-oriented. At page 10 of the Determination Letter, the Commissioner states:

it appears that [NPF is] a partisan issuesoriented organization. Specifically, [NPF's] activities are designed to promote the Republican Party and politicians affiliated with the Republican Party. This partisanship is exhibited in the key officers and personnel that founded and operate your organization.

To support the Commissioner's position, the Determination Letter stresses that most of NPF's directors are affiliated or identified with the Republican Party, and the speakers or participants invited to NPF's forums usually are identified with the Republican Party. It is a fact of life in the United States that civic-minded individuals belong to and participate actively in a variety of organizations. This is unremarkable and desirable, not undesirable as the Commissioner suggests. admitting that NPF is an issues-oriented organization, the Commissioner appears to agree that NPF is in some way promoting the common good and general welfare of the people of America. The Commissioner's objection to NPF as a tax-exempt Section 501(c)(4) organization is based on the fact that Republicans serve it in various ways. One might as Well complain that a public official cannot attend church because that would violate the wall of separation between church and state.

The Service proposes to deny NPF's Section 501(c)(4) status because it is "operated primarily for the benefit of...the Republican Party and politicians affiliated with the Republican Party." Again, while NPF disputes this finding, the Service would have to draw the same conclusion when it analyzes the relationship between the Democratic Leadership Council and the Democratic Party. Indeed, the Democratic Leadership Council expressly states that it is a partisan organization existing to advance Democratic values and to ensure that a new Democratic majority is rebuilt. Yet, as of November 20, 1996, the tax-exempt status of the Democratic Leadership Council, EIN 52-1384530, was recognized by the IRS under Section 501(c)(4). See, Information From IRS Exempt Organizations Master List, attached hereto as Exhibit C.

The Democratic Leadership Council defines itself as follows:

The Democratic Leadership Council is a national voice that is reshaping American politics by moving beyond the old left-right political debate. Under the leadership of co-founder and President Al From, the DLC is helping to rebuild a new Democratic majority ready for the challenges of the information age. With the help of Chairman Senator Joe Lieberman (D-CT) and Vice Chairman Governor Roy Romer (D-CO), the DLC's growing network of elected officials, political activists, and concerned citizens is changing politics at all levels of government. One in ten

> Democratic legislators is now a member of the DLC, and in recent months, thousands of Americans have joined our network, working hard to advance an agenda based on progressive ideas, mainstream values, and nonbureaucratic approaches to governing. members are the key to spreading this New Democratic message legislative study groups have sprung up in state capitals from Sacramento to Tallahassee and our members across the country have held hundreds of forums, introduced dozens of bills, and issued many influential policy papers all of which are breathing new life into our political system. Join the DLC today. "About the Democratic Leadership Council & Progressive Policy Institute," from the DLC Internet Home Page, attached as Exhibit D. (Emphasis added.)

The Democratic Leadership Council, which is an organization exempt from federal tax under Section 501(c)(4), expressly states that it has an exclusively Democratic agenda, is comprised of ten percent of all Democratic legislators, and exists to promote progressive Democratic ideas. Yet, unlike the NPF, the Democratic Leadership Council is not a grassroots organization; the Democratic Leadership Council develops issues from its numerous politicians, down.

In the Determination Letter, the Commissioner noted that many Republican individuals participated in speeches through the NPF. Similar to the NPF, the Democratic Leadership Council has conducted policy-oriented speeches, each one by a renown Democratic leader. For example, on December 11, 1996, the Democratic Leadership Council held the 1996 DLC Annual Forum and Gala. At this event, speakers included the following well-established Democrats: President Bill Clinton, Senator Joe Lieberman, and Democratic Leadership Council President Al From.

Other Democratic Leadership Council speeches included:
"Voter Economic Security," Progressive Foundation Director Doug
Ross, July 19, 1996; "How to Govern Now That the Era of Big
Government is Over," Progressive Policy Institute President Will
Marshall, July 19, 1996; "Countering the Conservative Challenge,"
Connecticut Senator Joe Lieberman, July 19, 1996; "Why and How
Democrats Should Talk About Values," Bill Galston, Professor,
University of Maryland, July 19, 1996; "Applying Values to Key

Issues: Teen Pregnancy, Progressive Policy Institute Vice President for Domestic Policy Kathleen Sylvester, July 19, 1996; "Urban Renewal," John Norquist, Mayor of Milwaukee, Wisconsin, August 24, 1996; and "New Democrat Approaches in California," California State Assemblyman Louis Caldera, August 26, 1996.

See, "Speeches" from the DLC Internet Home Page, attached hereto as Exhibit E.

The Democratic Leadership Council clearly reflects a partisanship toward the Democratic party; however, it maintains its tax-exempt status under Section 501(c)(4).

In denying recognition of exemption to NPF under Section 501(c)(4), the Commissioner refers to NPF's orientation toward the Republican Party, which, the Commissioner states, is found in the history, creation, control, and operation of NPF. Moreover, the Determination Letter finds it significant that NPF's press releases, journals, newsletters, and publications use the word "Republican." While NPF takes issue with the Commissioner's categorization of NPF's activities as "partisan," it is clear that the Democratic Leadership Council is oriented toward the Democratic Party, all of which can be found in its history, creation, control, and operation. Furthermore, the Democratic Leadership Council uses the word "Democratic" in its name -- as well as all of its literature, yet this has not affected the Democratic Leadership Council's exempt status under Section 501(c)(4).

d. National Policy Forum Functions Under the Same Principles as Did the Better America Foundation.

In 1993, former Presidential Candidate Robert Dole formed a Section 501(c)(4) social welfare organization, the Better America Foundation. The Better America Foundation, like the Democratic Leadership Council, was a sounding board for partisan ideas. Despite the Better America Foundation's Republican participants, and despite the Better America Foundation's wholly-Republican agenda, this organization was granted recognition of tax exemption under Section 501(c)(4). The only risk that the Better America Foundation faced was that if its activities became too campaign oriented, then it would face tax consequences under Section 527(f) for certain political-oriented income -- not lose its tax-exempt status under Section 501(c)(4). Notwithstanding Section 527, the Better America Foundation maintained its Section 501(c)(4) status.

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Pursuant to the Better America Foundation's Articles of Incorporation (as quoted in 95 109-12 Tax Notes Today), it was formed:

to promote and advocate values and principles espoused by the Republican Party and to urge consideration of such principles for a better America; to develop innovative answers to proposed governmental policy and legislation and issues which confront the United States; to engage in research, study and analysis, for the benefit of the general public, on those questions affecting the public interest with respect to both the public and private sectors, and to publish the results of such study; to prepare educational materials and conduct educational activities in support of the general purposes of the corporation; to conduct and sponsor forums, lectures, debates and similar programs; to assist in the conduct of similar activities... (Emphasis added.)

With this as its mission, the Better America Foundation received and maintained Section 501(c)(4) exempt status. See, Articles of Incorporation, from 95 Tax Notes Today 109-12, attached hereto as Exhibit F.

NPF, an organization with a mission quite similar to that of the Better America Foundation, is entitled to the same tax-exempt status. In further support of NPF's 501(c)(4) status is the fact that NPF does not and has not directly or indirectly endorsed candidates for office even though 501(c)(4) organizations like the Better America Foundation and the Democratic Leadership Council may engage in such activity.

#### e. Conclusion.

NPF seeks recognition of exempt status under Section 501(c)(4) of the Code -- not Section 501(c)(3). NPF is an organization concerned with forming ideas from the grassroots up. While NPF may have a Republican orientation, it is not and has not been involved in any political campaign, although Rev. Rul. 81-95 would permit NPF to do so if it chooses. The fact that NPF achieved the participation of thousands of Americans in the initial phase of developing what the Commissioner admits is an \(\Omega\) \(\Omega\) 32

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issues-oriented organization proves that it has done <u>all</u> that is required of an organization to have its tax exemption recognized under Section 501(c)(4) — it has primarily promoted the common good and welfare of the people of the United States.

The Democratic Leadership Council, a <u>clearly Democratic</u> <u>concern</u>, maintains Section 501(c)(4) status. As detailed above, the Democratic Leadership Council <u>regularly</u> engages in organizing speeches at which exclusively Democratic concepts and ideas are discussed. Furthermore, as specified in the Democratic Leadership Council's mission statement, it was organized to promote the <u>Democratic</u> cause. The Commissioner's refusal to recognize NPF's tax-exempt status under Section 501(c)(4) is contrary to law and precedent published by the Commissioner and is clearly discriminatory, resulting in the selective enforcement of the internal revenue laws.

As noted above, a conference is requested in the National Office to discuss the issues raised herein. The undersigned has prepared this protest based upon information provided by an officer of the taxpayer during the years in issue but does not have personal information whether the stated facts are true and correct. Enclosed is a statement from an officer of NPF, verifying the accuracy of the facts stated herein.

A Power of Attorney (IRS Form 2848) is also enclosed. Please contact the undersigned to schedule a mutually convenient time for a conference.

Very truly yours,

DAVID M. KUCHINOS

DMK:cr Enclosures

bc: Terrence O'Donnell, Esquire V
Howard M. Fry, Esquire
Todd C. Simmens, Esquire

#### VERIFICATION

The undersigned, being an officer of National Policy Forum, verifies that the statement of facts contained in the foregoing protest to the Internal Revenue Service's determination letter of February 21, 1997 is to the best of my knowledge and belief, true, correct and complete.

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Person to Contact:

Michael Seto

Telephone Number:

(202) 522-6477

Refer Reply to:

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Date:

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Employer Identification Number: 52-1827867

Key District: Southeast (Baltimore, MD)

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We have considered your application for recognition of exemption from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(4). Based on the information-submitted, we have concluded that you do not qualify for exemption under that section. The basis for our conclusion is set forth below.

The information submitted indicates that you were incorporated on May 24, 1993 under the non-profit corporation laws of the District of Columbia. In your Articles of Incorporation, you describe your purposes as follows:

[t]o encourage the involvement of citizens in free and opendebate, the public exchange and development of ideas,
discussions, dialogues, conferences, and discourses, to
promote public forums, seminars and colloquia and
information dissemination to the general populace, to
develop a national Republican policy acenda and to serve as
a clearinghouse for the collection and review of research
and ideas on issues affecting foreign affairs, national
security, economy, environment, energy, government lands,
commerce, labor, federal budget, . . . and other issues of
concern to or affecting the citizens of the United States of
America [emphasis added].

As stated in your newsletter, <u>Ideas Matter</u> (May 1995 Issue), you are "[a] Republican Center for the Exchange of Ideas." "That exchange will be open and inclusive — not exclusively for Republicans but an exchange that invites serious commentary from Democrats, Independents, and the heretofore apolitical as well[,]" according to your publication, <u>Common Sense</u> (Volume 1, Winter 1994, Number 1). You were founded, according to your brochure and prospectus, on three premises, 1) "that fundamentally, ideas make the difference in politics," '2) "that traditionally, ideas that make a difference have been associated

with political parties," 3) "that currently, workable ideas are more likely to be found at the grassroots than in Washington."

Your organization, as described in your news release of December 8, 1993, "is composed of civic, community and business leaders, Republican elected officials, former office-holders, and other prominent Americans from all walks of life." You are not a membership organization, but your bylaws permit the board of directors to create classes of "membership" - contributing membership and honorary membership. These memberships do not carry voting rights or other organizational rights.

Your bylaws provide that a board of directors governs and directs your operations. The board of directors is invested with the power to appoint or remove board members. The initial board of directors included Mr. Haley Barbour, the former chairman of the Republican National Committee, the political arm of the Republican Party. The information in our administrative files shows that your board members include Mr. Barbour and other prominent Republican Party members, including Senator Nickles of Oklahoma, former Republican Minority House Leader Bob Michel, former Secretary of Labor and former Maryland Senatorial candidate William E. Brock, Governor George V. Voinovich of Ohio, John Bolton, United States Representative John Boehner, former Republican qubernatorial candidate Jeb Bush and Teresa Lubbers (a member of an organization called Republican Professional Women's Roundtable). Mr. Bolton also serves as president of your organization.

One major activity you conduct in furtherance of the above described purposes is policy councils. The purpose of the policy councils is to "search for ideas by holding public and intensely participatory grassroots forums across the country." Each council has two co-chairs and members that include Congressional members, state legislators, and individuals from the private sectors. Each council addresses a specific policy area such as "Reforming Health Care," "Improving Schools and Education," "Reducing the Size and Scope of Government," or "Reforming the Legal and Regulatory Systems" (see page 5 of your prospectus). Each policy council holds public grassroots forums that address issues relating to that council's public policy area.

Your policy councils thus far have held several forums on topics such as education reform (December 7, 1993), violent crimes (December 8, 1993), and federal land use (December 15, 1993). The forums featured three panels, a panel of your representatives, a panel of expert witnesses and a panel of Congressmen — whose purpose was to listen to viewpoints of other panelists and audience and provide their perspective. The forums

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were conducted in question and answer format and were hosted by your officers. The forums began with opening remarks by your president and chairman, followed by testimony of your expert witnesses, and other guests and participants. Discussion with the general audience then followed. Each policy council then reported its findings and policy recommendations to your board of directors.

Many prominent Republican Party politicians served as speakers or panelists at your forums. For example, Republican Senator Hank Brown, former Republican Senator Malcolm Wallop (also served as a chairman of a policy council), Republican House of Representatives members Dan Schaefer, Joel Hefley, Wayne Allard, and former House Representative Craig Thomas participated at your February 14, 1994 forum (see NPF news release of February 8, 1994). The participants in your December 11, 1993 forum included Republican Senator Orrin Hatch, former Republican Senator Malcolm Wallop, former Commodity Futures Trading Commission Chairwoman Wendy Gramm, and Republican Congressman James Hansen (see December 7, 1993 News Media Advisory release). The panelists in your September 19, 1995 forum included Republican Senators Kay Bailey Hutchinson, Thad Cochran, Ted Stevens, Rod Grams and Republican House of Representatives member Mark Souder, Jennifer Dunn and Sue Myrick, and other individuals from private industries. The keynote speaker at this forum was former Republican House Representative and vice-presidential candidate Jack Kemp. Other forums you have had also featured prominent Republican Party politicians such as Governor Todd Whitman of New Jersey, Governor William Weld of Massachusetts (see April 12, 1994 NPF news release), House Speaker Newt Gingrich (see october 18, 1995 news release), House Majority Whip Tom DeLay (see July 24, 1995 NPF news release), Marilyn Tucker Quayle (see April 26, 1994 news media advisory release) and other well known Republican Party politicians or persons affiliated with the Republican Party.

You produce a monthly televised policy-oriented program called "Listening to America: To Neighborhood Meeting." The purpose of this program is to communicate ideas and to allow the public to participate in policy discussion. Many prominent Republican Party politicians were speakers at these monthly programs (such as Republican Senators Hank Bown and Malcolm Wallop, see February 10, 1994 news media advisory release).

You hold "mega-conferences" whose purpose is to focus on long-range policy issues (i.e. Trade and the Economy, Health Care) and to allow interested members of the public to participate in the discussion of these policy issues. Many prominent Republican Party politicians were speakers at your

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mega-conferences, and they included Republican Senators Richard Lugar, Charles Grassley, Kaye Bailey Eutchinson and Republican Governor Terry Branstad of Iowa.

You publish quarterly a journal called Common Sense, and the purpose of this journal, as stated in your pamphlet, is to enhance "the policy debate by providing a source for provocative thinking and lively debate about the parties, politics, and public policy." The cover of Volume 1 Winter 1994 Number 1 of Common Sense stated that it was "a Republican Journal of Thought and Opinion. The journal was distributed to forum participants, elected officials and policy makers and all other interested persons. The authors of the articles in each edition of the journal were selected by your board of directors. The authors included politicians (e.c. Mike Leavitt, Republican Governor of Utah; Tommy G. Thompson, Republican Governor of Wisconsin), academicians (e.g. Andrew E. Busch, assistant professor, University of Denver) and individuals in the private sector (e.c. Charles J. Cooper, a law firs partner; Linda DiVall, vicepresident of a survey research firm). The topics of the articles included foreign policy (e.g. "The United States and Greater China", "Nato and U.S. Interests") and domestic policy "Unfunded Federal Mandates And The Need For a New Federalism", "Remembering The Question or, A Brief History of the Republican Party").

You have been operating with funds supplied by contributors and the Republican National Committee. The Republican National Committee, from May of 1993 to December of 1995, provided you thirty seven loans totalling \$2,595,000. The interest rate on these loans ranged from 7.5 percent to 10.5 percent. There were no indications that the terms of the loans were negotiated at arms length. You have used services provided by the Republican National Committee. These services included duplicating and printing materials, office furniture, moving services, etc. You stated that you were billed for these services at fair market value. You have raised \$690,000 in contributions from sources other than the Republican National Committee.

Section 501(c)(4) of the Internal Revenue Code (hereinafter "Code") provides for the exemption from federal income tax of organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations (hereinafter "Regulations") provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community.

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### National Policy Forum

Section 1.501(c) (4)-1(a)(2) (ii) of the Regulations provides that the promotion of social welfare does not include direct or indirect participation or intervention in political campaigns on behalf of or in opposition to any candidate for public office.

Rev. Rul. 60-193, 1960-1 C.B. 195, concludes that an organization created to encourage greater participation in governmental and political affairs qualifies for recognition of exemption under section 501(c)(4) of the Code. Activities of the organization included seminars and workshops held on campuses of colleges and universities. The subject matter of these seminars relates to the American political system. All lecturers, including academic political scientists and political leaders from the local and national levels, were required to maintain certain technical standards and were not allowed to advocate for any particular political group. Seminars and workshops were moderated by permanent staff personnel of the organization in order to prevent the program from becoming partisan in character.

Rev. Rul. 73-306, 1973-2 C.3. 179, provides that an drganization formed for the purpose of promoting the common interest of tenants who reside in an apartment complex did not qualify for exemption under section 501(c)(4) of the Code. Any person regularly living in the complex is eligible for membership. The organization represented its member-tenants in negotiations with the management of the complex in order to secure better maintenance and services, and reasonable rentals. This revenue ruling concludes that this organization was operated to benefit its members and was not primarily engaged in activities that promote the common good and general welfare of the community.

In contrast, Rev. Rul. 80-206, 1980-2 C.B. 185, provides that an organization formed to promote the legal rights of all tenants in a community qualifies for exemption under section 501(c)(4) of the Code.

Rev. Rel. 73-349, 1973-2 C.B. 179, holds that an organization formed to purchase groceries for its members at the lowest possible prices on a cooperative basis is not exempt under section 501(c)(4) of the Code. Each member paid for the cost of food ordered plus a monthly service charge which defrayed the organization's expenses. The organization was a cooperative enterprise for the economic benefit or convenience of its members. This revenue ruling states that the organization was operated primarily for the benefit of members and not to promote the common good and general welfare of the community.

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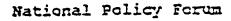
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Rev. Rul. 75-286, 1975-2 C.B. 210, describes an organization that was formed by the residents of a city block to preserve and beautify that block, to improve all public facilities within the block, and to prevent physical deterioration of the block. Its activities consisted of paying the city government to plant trees on public property within the block, organizing residents to pick up litter and refuse in the public streets and on public si awalks within the block, and encouraging residents to take an ac ive part in beautifying the block by placing shrubbery in public areas. Much of the public area improved by the organization was part of the public roadway lying between the sidewalk and the street in front of private property owned by members of the organization. Membership in the organization was restricted to residents of the block and those owning property or operating businesses there.

This revenue ruling concludes that the organization did not qualify for exemption under section 501(c)(3) of the Code but did qualify for exemption under section 501(c)(4). It states that because the activities enhanced the value of the members' property rights, the organization served the private interests of its members and did not qualify for exemption under section 501(c)(3). It states also states that while the organization's activities were benefiting its members there was sufficient benefit conferred upon the community as a whole. Although private benefit did exist to the members, the primary benefit was to the community. Therefore, the organization was not operated primarily for the benefit of members, but primarily to promote social welfare.

In <u>Commissioner v. Lake Forest, Inc.</u>, 305 F.2d 814 (4th Cir. 1962), a corporation was organized for the purpose of purchasing a government housing project and converting it to a cooperative, nonprofit housing for its members. Membership in the corporation was established by the purchase of a corporate share which entitled the purchaser to an apartment unit. The court held that the organization was not described in section 501(c)(4) of the Code because the operation was a private self help enterprise with only incidental benefit to the community.

In Contracting Plumbers Cooperative Restoration Corp. V. United States, 488 F.2d 684 (2d Cir. 1973), cert. denied, 419 U.S. 827 (1974), plumbers working in New York City were responsible for the cuts they made in the city streets. Prior to the organization's existence, the city had repaired the cuts and billed the plumbers individually. This system proved to be highly inefficient. The organization was formed as a cooperative in order to restore the city streets. It only repaired cuts made by its members. The joint effort of the plumbers reduced their



liability and their expenses. While the court found the program to be highly beneficial, it concluded that the organization principally served the private economic interests of its members and, thus, could not be considered exempt under section 501(c)(4) of the Code.

Rev. Rul. 66-256, 1966-2 C.B. 210, describes an organization that was formed to bring about a fair and openminded consideration of social, political, and international questions by the promotion and sponsorship of a public forum at which debates and lectures were conducted. The organization invited prominent individuals to discuss varying political and social matters of national and community interest. The speakers, in addition to delivering their prepared text, answered questions of those attending. The other part of the organization's program involved the sponsorship of debates. Individuals representing opposing viewpoints were invited to debate particular topics. The debates were conducted in accordance with carefully drawn rules. Frequently, the persons invited to lecture or debate were controversial and occasionally there was opposition to their appearance. None of the programs or activities of the organization involved the participation or intervention in any political campaigns of candidates for public office.

The revenue ruling states that the presentation of public lectures, forums, or debates was a recognized method of educating the public. The fact that the presence of the invited speaker or his opinions may precipitate controversy within the community did not adversely affect the status of an organization whose primary purpose was to provide a forum for speakers. Consequently, the organization qualified for exemption under section 501(c)(3).

Rev. Rul. 76-456, 1976-2 C.B. 151, describes an organization that was formed for the purpose of elevating the standards of ethics and morality that prevail in the conduct of campaigns for election to public office at the national, state, and local levels. On a nonpartisan basis the organization collected, collated, and disseminated information concerning general campaign practices through the press, radio, television, mail, and public speeches. In addition, the organization furnished 'teaching aids' to political science and civics teachers to help stress the need for ethical conduct in political campaigns. The organization proposed a Code of fair campaign practices. Although need for the Code was extensively publicized, the organization did not solicit the signing or endorsement of the code by candidates for political office.

The revenue ruling states that the organization was instructing the public on subjects useful to the individual and

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beneficial to the community within the meaning of section 1.501(c)(3)-1(d)(3) of the regulations by encouraging voters to concern themselves with fair as well as unfair practices encountered in political campaigns. This was done, on a nonpartisan basis, so that citizens could increase their knowledge and understanding of our election processes and participate more effectively in their selection of government officials. Consequently, the organization was operated exclusively for educational purposes and thus qualified for exemption under section 501(c)(3) of the Code.

Rev. Rul. 80-282, 1980-2 C.B. 178, describes an organization whose activities included the publication of Congressional incumbents' voting records on selected issues in a non-partisan newsletter. The revenue ruling observes that the format and content of the publication were not neutral because the publication reported each incumbent's-votes and his/her views on selected legislative issues and indicated whether that incumbent supported or opposed the organization's view. However, the voting records of all incumbents were presented and candidates for reelection were not identified. No comment was made on an individual's overall qualifications for public office, no statements expressly or impliedly endorsed or rejected any incumbent as a candidate for public office, and no comparison of incumbents with other candidates were made. The organizations noted the inherent limitations of judging the qualifications of an incumbent on the basis of certain selected votes by stating the need to consider such unrecorded matters as performance on subcommittees and constituent services. Furthermore, the organization did not widely distribute its compilation of incumbents' voting records. The publication was distributed to the organization's normal readership, numbering only a few. thousand nationwide. This resulted in a very small distribution in any particular state or Congressional district. No attempt was made to target the publication toward particular areas in which elections are occurring nor to time the date of publication to coincide with an election. The revenue ruling concludes that the organization was not engaged in prohibited political campaign activity.

In American Campaign Academy v. Commissioner, 92 T.C. 1053 (1989), an organization was formed for charitable and educational purposes. The organization's primary activity was to operate a school. The school trained individuals for Careers as political campaign professionals. The school maintained a regularly scheduled curriculum, a regular faculty and a full-time enrolled student body. Prior to the formation of the organization, the National Republican Congressional Committee (NRCC) sponsored programs designed to train candidates and to train and

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subsequently place campaign professionals in Republican campaigns. The organization stated that it was an outgrowth of the programs operated by the NRCC. NRCC contributed the physical assets, such as furniture and computer hardware, to the organization. Two of the organization's six full-time faculty were previously involved in the NRCC's training program. of the organization's three initials directors was the executive director of the NRCC. The organization did not train candidates or participate in, or intervene in, any political campaign on behalf of any candidate. Neither did the organization engage in any activities tending to influence legislation. Applicants were required to provide the organization with professional references. While applicants were not required to formally declare their political affiliation to attend the organization's school, such affiliation could be deduced from the campaign experiences and political references contained in the applications. Graduates of the school were employed by various Republican organizations. No graduate was known to have affiliated with any domestic political party other than the Republican Party.

The Court concluded that the organization's activities benefited the private interests of Republican entities and candidates more than incidentally. The organization, thus, served a substantial nonexempt purpose. Although the school had a legitimate educational program, the Court held that the school conducted its educational activities with the partisan objective of benefiting the interests of the Republican Party as evidenced by:

- 1) the composition of the school's board of directors
- 2) the failure of the school to counterbalance the Republican party focus of its curriculum with comparable studies of the Democratic or other political parties,
- 3) the incorporation of the school by the General Counsel of the National Republican Congressional Committee, an unincorporated association comprised of Republican members of the House of Representatives; and,
- 4) a lack of showing by the school that its graduates served in Congressional and Senatorial campaigns of candidates from both major political parties in substantial numbers.

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National Policy Forum

#### ANALYSIS

### A. Promotine Social Welfare

In order to qualify for recognition of exemption under section 501(c)(4) of the Code, an organization must be primarily engaged in activities that promote social welfare., The promotion of social welfare may include activities that educate the public or lobby public officials or both. Exemption is not dependent on the point of view of the educational material or the issue being lobbied. In contrast to lobbying and educational activities, partisan political activity does not promote social welfare as defined in section 501(c)(4). Such activity promotes the interests of one political faction. An organization engaging in such activity is engaged not merely in the clash of ideas, but in a contest for power.

. Based on the information you submitted, it appears that you are a partisan issues-oriented organization. Specifically, your . activities are designed to promote the Republican Party and politicians affiliated with the Republican Party. partisanship is exhibited in the key officers and personnel that founded and operate your organization. For example, an initial board member was Mr. Haley Barbour, the former chairman of the Republican National Committee. Most members of your current board of directors are affiliated or identified with the Republican Party. These members include Mr. Barbour, Republican Senator Don Nickles, former Republican Congressman Bob Michel, former Republican senatorial candidate William Brock, and Republican Governor George C. Voinovich. Although you have members -- honorary and contributing members -- they do not have an organizational voice (or voting rights) in your operations.

This partisanship is also exhibited in your operation. The speakers or participants that you invited to your forums usually were identified or affiliated with the Republican Party. example, the speakers or participants at your February 14, 1994 and December 15, 1991 forums are former or current Republican Party public office holders (i.e. Senator Orrin Hatch, Senator Hank Brown, Wendy Gramm, Congressman James Hansen, Congressman Dan Schaefer, Congressman Joel Hefley, Congressman Wayne Allard, and so forth). Other speakers include Governor Weld of Massachusetts and Governor Whitman of New Jersey. You have not indicated whether you have invited to your forums speakers or panelists who are affiliated or identified with other political parties.

Your publications reflect a political partisanship toward the Republican Party. For example, the word "Republican" is used

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() (4 in your press releases, journals and newsletters. You have published speeches of prominent Republican Party politicians such as Newt Gingrich (Speaker of the House), Richard Lugar (Republican senator), Casper Weinberger (former cabinet member in the Reagan administration), Pete du Pont and former Republican Party presidential nomination candidate Malcolm "Steve" Forbes. You also have published articles about the Republican Party (e.g. "Remembering The Question or, a Brief History of the Republican Party", Common Sense, Volume 1 Winter 1.34 Number 1).

Your financial support also reflects this Republican Party partisanship. -You have received substantial financial support from the Republican National Committee. The Republican National Committee lent you more than 2.5 million dollars since your formation. You also purchased supplies and services from the Republican National Committee. Although the financial support was in the form of loans, there was no indication that the terms of the loans reflect commercial market rates.

You claim to be a nonpartisan issues-oriented organization, and we acknowledge that you are issues-oriented. However, your activities are no less partisan as demonstrated by the manner in which you operate your organization and conduct your activities. Unlike the organization described in Rev. Rul. 60-193, supra, which encouraged participation in the political process by explaining the process on a nonpartisan basis, you were created for the partisan objective of promoting a particular political party. Based on the above facts and circumstances, we conclude that, because of your partisan nature, you are not engaged in activities that promote social welfare.

### B. Operating Exclusively to Benefit the Whole Community

An organization exempt under section 501(c)(4) of the Code must be promoting the common good and general welfare of the whole community. Benefitting select individuals or groups, instead of the community as a whole, is contrary to this requirement. See Rev. Rul. 75-286, subra. For example, the tenants' organization described in Rev. Rul. 73-306, subra, is distinguishable from the one described in Rev. Rul. 80-206, subra, in that its activities are directed primarily toward benefitting its member-tenants rather than all tenants in the community. See e.g. Rev. Rul. 73-349; Lake Forest, Inc.; and Contracting Plumbers Cooperative: Restoration Corp., subra. Therefore, a sufficient amount of benefit to select individuals will preclude an organization that would otherwise qualify for exemption from being described in section 501(c)(4).

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f. Lui This private benefit standard is also demonstrated in the American Campaign Academy, supra, and is relevant here. In that case, the court held that an organization created to serve a particular faction in the political spectrum was not exempt under section SO1(c)(3) of the Code because its activities benefited the private interest of that particular faction. The private benefit standard used in American Campaign Academy is similar under section SO1(c)(4). The difference is in the weighing of the private benefits (i.e. the amount of private benefits), not the standard. See e.g. Rev. Rul. 75-286, supra.

The information you submitted clearly indicates that you, like the organization described in American Campaign Academy, are operated primarily for the benefit of a select group. select group consists of the Republican Party and politicians affiliated with the Republican Party. Specifically, your activities benefited the Republican party and its affiliated politicians by enhancing the electoral and political fortunes of the aforementioned. These activities generated public support and enthusiasm for your policies and positions. In turn, the public support and enthusiasm could enhance the election or reelection prospects of Republican politicians (i.e. their political careers) and, thereby, the fortunes of the Republican Party. Also, political identification with the Republican Party was strengthened when individuals participated in your forums and mega-conferences. Your publications, the journals and newsletters, also served to enhance the electoral prospect of Republican politicians because they could generate party identification with and political support for the Republican Party and politicians.

This conclusion is supported by your orientation toward the Republican Party, which is demonstrated in the history, creation, control, and operation of your organization. As illustrated in your press releases, journal, newsletters, and prospectus, the word "Republican" is used throughout these publications. The speakers or participants that you invited to your forums usually were identified or affiliated with the Republican Party. example, many speakers or participants (Senator Orrin Hatch, Senator Hank Brown, Wendy Gramm, Congressman James Hansen, Congressman Dan Schaefer, Congressman Joel Hefley, Congressman Wayne Allard, and so forth) at your forums were former or current Republican Party office holders. You have not indicated whether individuals affiliated with other political parties were invited to be speakers at your forums. Control of your organization resides with individuals who are members of or affiliated with the Republican Party.



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#### CONCLUSION

In summary, we conclude that you are not operated primarily to promote social welfare because you are a partisan issuesoriented organization and your activities are partisan. In addition, we conclude that your activities also substantially benefitted the Republican Party and politicians affiliated with the Republican Party. Accordingly, you do not qualify for recognition of exemption under section 501(c)(4) of the Code, and you must file federal income tax returns.

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file your protest statement. If you are to be represented by someone who is not one of your officers, that person will need to file a proper power of attorney and otherwise iqualify under our Conference and Practices Requirements.

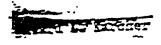
If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key district office. Thereafter, any questions about your federal income tax status should be addressed to that office.

When sending additional letters to us with respect to this case, you will expedite their receipt by using the following address:

Internal Revenue Service Attn: CP:E:EO:T:3, Room 6137 1111 Constitution Ave, N.W. Washington, D.C. 20224

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,



Edward K. Karcher Chief, Exempt Organizations Technical Branch 3

### NATIONAL POLICY FORUA

A Republican Center for the Exchange of Ideas

AMBORA 9 7-19-97 DA

HALEY BARBOUR
Chamman

III

MICHAEL E. BAROCOY
President

March 25, 1994

Memorandum for Haley Barbour

From:

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Dan Denning

Subject:

Manuration Date of Loan Agreement Between RNC and NPF

As you know, the maturation date of the Loan Agreement between the RNC and the NPF is April 30, 1994. On this date the balance of monies borrowed, less repayments, plus interest on all monies borrowed as outlined in the Loan Agreement becomes due and the availability period for borrowing additional funds concludes. The NPF requests an extension of this date for repayments of loans outstanding and interest due as well as the availability period for future borrowing, if necessary, to August 31, 1994.

If you concur, I will contact Scott Reed to implement the necessary changes to the documentation.

CC: Michael E. Baroody W. Lyons Brown, Jr.

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EXHIBIT

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Date: 6/3/7

Reporter: David A. Kasdan, RPR

Frederick W. Volcansek

PARPORD 7-1997 SA

Thursday, July 28, 1994

### Talking Points for Haley Barbour

- l. Fred Volcansek and your nephew, Steve, have been meeting with me. stat members of the RNC and the National Policy Forum (NPF) to discuss ways in which Ambrous Young and his family might be of help to our efforts during the upcoming mid-term election time period.
- 2. Although Fred and Steve have assured me that you have been apprised, in concept, of what is being proposed, because I understand that Ambrous is a long time friend and client of yours, I wanted to call you personally to discuss the importance of this project.
- 3. I am sure that you have been tracking the possibilities for the Republican Party in the upcoming mid-term elections in both the House and the Senate. They appear to be better than we ever anticipated. We truly have a chance to take at least a working majority in the House.
  - 4. As you well know from your experience in this job as Chairman, the key is the fund raising. We need to support over 90 races. At the same time, we need to keep working on the policy framework being developed at the NPF. I believe that it is imperative that we do both simultaneously:
- 5. We would like to propose a loan from Ambrous Young's family to the NPF which will allow us to free up the money previously advanced to the NPF and make it available for the elections. Pledges are coming in steadily but not in the amounts or in the time necessary to accomplish the goals we have set and which would appear to be truly attainable.
  - 6. Dick, I understand that Ambrous is considering my invitation to come to Washington, D.C. next week on August I for a meeting and dinner. I have planned to introduce him to Bob Dole and Newt Gingrich and maybe Connie Mack so that Ambrous can understand how serious we are about this and to assure him how much we will appreciate his support.
  - 7. I would really appreciate your support of my effort in this regard and hope that you could join us for the meeting. I understand that you are anticipating going to the Far East on business, but I hope that I can prevail upon you to come here first and join me in putting this together.
- 8. Your leadership in this party has always meant a lot to me and your support of my election as Chairman has not been forgotten. I know you love it in Ogden, and you have said for years that you wanted to go back to Utah to retire, but I hope that you won't stay away from your role as a major player in our national efforts here at the RNC. Please consider coming to Washington, D.C. for this meeting and letting me bring you up to date on how close we are to realizing a major success in the Congress.

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# COMMERCE CONSULTANTS INTERNATIONAL, LTD. WASHINGTON, D.C.

Tele:

202-342-9610

Fax:

202-342-0650

MCI Mail:

C.C.I., Ltd.

### **FAX TRANSMISSION - CONFIDENTIAL**

TO:

Benton Becker

DATE:

August 15, 1994

Law Offices of Benton Becker

FAX NO:

(305) 662-9276

FROM:

Steve R. Richards

TOTAL PAGES

3

RE:

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RNC ISSUE - BACKGROUND

#### Dear Benton:

Attached is a background on the RNC issue provide by Fred Volcansek. Fred is a long time friend of ours and he is the one that has brought the RNC issue to us.

This apparently is part of the document Dick gave to ATY. It has been updated as far as the dates are concerned.

If the RNC calls, before Dick can talk with you on the phone, of course we can defer the conversation until you have received more information.

Steve

EXHIBIT R

Date:

Reporter: David A. Kasdan, RPR

### National Policy Forum Proposal for Ambrous Young

Monday, August 15, 1994

Upon the election as Republican National Committee Chairman. Haley Barbour believed that an independent center for the exchange of ideas was needed to serve as a foundation to reach out to the people of America, as a result of the loss of the '92 Presidential campaign. The National Policy Forum (NPF) was established by Chairman Barbour to accomplish this task.

Over this past year, the NPF has visited over 60 cities throughout the US, held public forums which were a ttended by over 10,000 people, listened to what was being said and what was necessary to get American public policy in line with American beliefs.

The NPF formed 14 different policy councils to gather the information and publish the enclosed Summary Report. Chairman Barbour, who also serves as Chairman of the NPF, believes we must continue these efforts to develop a positive alternative agenda for America that is responsive to the beliefs of a majority of America's citizens.

He appreciates your thought s regarding the issues which face the US. China and the Far East. He believes that a committee to study these issues would best fit within the framework of either the policy council on "Competing in the Global Marketplace" or the policy council on "U.S. Leadership in a Changing World".

Chairman Barbour recognizes and is grateful for the contributions you have made in the past. He feels that your family and its extensive experience in the Far East can contribute even more significantly to the NPF's development of a "Far East Policy".

In planning for the '94 mid-term election cycle in the Congress, it has been determined that there are 176 highly contested races. The RNC is faced with the need to support substantially over 90 of these races. The prospects for a Republican majority in the House of Representatives is realistic for the first time in over 40 years. It appears that there is also reasonable potential to retake the majority in the Senate.

What the NPF needs from you is a three year loan guarantee in the amount of \$3.5 million to either Chase Bank or Citibank. To handle the debt repayment, the NPF already has received pledges for 1995 in the amount of \$1.8 million. Chairman Barbour is committed to continuing his fund raising efforts on behalf of the NPF's work and fully intends for the NPF to repay the loan. However, if there is any default in loan payments by the NPF, he will authorize the guarantee of the RNC and ask for the Republican National Committee's ratification. As Chairman of the RNC and the NPF, he intends to be certain that neither organization defaults on its obligations.

In addition to the creation of a committee for the "Far East" within the NPF, you would be asked to suggest potential members for the committee, as well provide your own input on the policy issues. However it should be clearly understood that

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financial contributions or financial assistance must not dictate final policy determinations.

The timing of this effort is crucial. The loan needs to be arranged and funded in the next two weeks. Chairman Barbour, Senator Dole and Congressman Gingrich, who are committed to the NPF, will make themselves available to express their support for your participation on this project.

A Republican Center for the Exchange of Ideas

August 30, 1994

EXHIBIT Parkme12 7-19-97 09

MICHAELE BAROCOY

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Mr. Ambrous T. Young
President, Managing Director
Young Brothers Development Co., Ltd.
23rd Floor, Dah Sing Financial Centre
108 Gloucester Road
HONG KONG

EXHIBIT

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Date: 6/3k7

Reporter: David A. Kasdan, RPR

#### Dear Ambrous:

Thank you for agreeing to write an article for the Winter 1995 edition of Commonsense, the National Policy Forum's (NPF) Republican Journal Of Thought And Opinion, on trade, economic, defense and diplomatic relationships in the Far East. This is a critical area of the world, and the dynamic situations in the People's Republic of China, the Republic of China and Hong Kong are of great interest to political and business leaders in the United States.

In the next few days you will be contacted directly by either the Vice President for Policy of NPF or by the editor of <u>Commonsense</u> to begin making arrangements for your article. I have asked them to make sure you have copies of all three issues of <u>Commonsense</u> which have been published to date.

The National Policy Forum is very interested in the Pacific Rim and the increasingly large role it plays in American economic life. Therefore, NPF is forming a task force from its trade, economic, defense and foreign affairs policy councils to focus on the Far East. Too little attention is paid to developments in that part of the world. For instance, your point at dinner about the differences between the policy of the current ROC government on Taiwan as to the PRC, versus the policy of the ROC under Chiang Kai-shek and Chiang Ching-kuo is little noticed and less understood here in our country. Yet it can have a tremendous affect on U.S. foreign, defense and trade policy.

In addition to asking current policy council members to ser + on this task force, I hope others such as Dick Richards and Steve Young will also be interested in participating. The NPF staff will contact each of them.

Mr. Ambrous T. Young Page 2 August 30, 1994

Finally, I am enclosing a fact sheet about the National Policy Forum, its work and its financial situation. I hope it responds to all the questions you asked Saturday night. If not, please call me or have Dick or Steve contact me.

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Thanks again for a delightful evening. I look forward to working with you and to having the benefit of your experience and counsel on some of these important issues.

Sincerely,

Haley Barbour/

Enclosure

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As David Broder, the senior political correspondent for the Washington Post, states in the attached column, Chairman Haley Barbour recognizes Republicans must develop a positive alternative agenda of their own if the GOP is to win back the White House, control Congress and effectively govern into the 21st Century. It is not enough to oppose Bill Clinton and his Democrat allies, Republicans must also give Americans something to vote for — a Republican agenda and vision for the future.

The National Policy Forum (NPF), a Republican Center for the Exchange of Ideas, was established by Barbour last year with an extremely ambitious mission. It was to be an intensely participatory policy institution which would first seek and consider ideas of Americans "outside the Beltway" and then craft those ideas, consistent with Republican principles, into a public policy agenda which would have the input and support of all proups in the party and, indeed, of many others who are not "card-carrying Republicans"

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٠. ن يا NPF's success in its first year has confirmed Barbour's belief voters want to have a voice in public policy. Over 177,000 Americans participated in its work through June 30, and involvement by party leaders and elected officials has been truly remarkable. Ninety-eight Senators and Congressmen and virtually all GOP governors have co-chaired policy councils or hosted or spoken at one of NPF's 62 public forums. Every major conservative and pro-business think tank has representatives on its policy councils, and every potential presidential candidate is participating.

The Forum's initial report, the summary edition of <u>Listening to America</u>, has been widely distributed and exceptionally well-received. The full edition of this report will be published in September. Next spring the Forum will publish <u>An Agenda for America</u>, which promises to be the foundational document of Republicanism and the public policy touchstone for all 1996 GOP presidential candidates.

The National Policy Forum has a two-year (July 1, 1993 through June 30, 1995) budget in excess of \$6 million. Just over \$4 million will have been spent by the publication of the full edition of Listening to America in September. NPF has raised \$3.8 million, including pledges. (Most contributors pledge to give a certain amount a year for two or more years.) The RNC has advanced NPF approximately \$2.1 million which is nearly matched by the Forum's \$1.95 million in pledges and renewals for the balance of 1994 and 1995. The RNC has not required that these pledges be collateral for its loan to NPF, but NPF would pledge them toward repayment of the \$3.5 million loan under consideration. Only \$3 companies, trade associations and individuals have contributed or pledged so far, with the average commitment in excess of \$70,000. Many other Fortune 500 companies and major entrepreneurs and businesses are yet to be contacted for support.

NPF would like to refinance its debt to the RNC via a \$3.5 million bank loan. The proceeds would be used to pay the existing debt to the RNC and to provide cash flow to

NPF beyond the beginning of 1995. In this way the Forum would not need to raise funds during this fall's political season when competition for contributions is especially keen, and most potential dangers are focused on elections and not public policy.

As evidenced by the attached articles, political writers agree this is the best political environment for Republicans in decades. Many predict the GOP could not only win control of the U.S. Senate but has a realistic though outside chance of winning a majority in the U.S. House of Representatives for the first time in 40 years. Everyone predicts major Republican gains in November's mid-term elections, and if this occurs, Republicans are likely to have effective control if not outright majorities in one or even both Houses. Barbour has publicly said the party's greatest problem is that its opportunities far exceed its resources.

The RNC, recognizing its need to meet this historic opportunity, voted at its July meeting in Los Angeles to increase its budget by \$12 million (25%) and to put at least \$10 million of that into campaigns and campaign activities. Instead of funding up to 60 house races as originally planned, the RNC and its House affiliate the National Republican Congressional Committee now need to fully fund over 100 congressional races, which will require in excess of \$7 million. And this amount is over and above its contributions to Senate and governors races and to state party campaign efforts to support those races,

In light of this effort by the Republican National Committee to greatly increase its fundraising and because every political institution is fighting for contributions, it is clear NPF is right to think it cannot effectively compete in fundraising during this compaign

Enclasures

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### Republican Letional Committee

Haley Barbour Chairman

August 30, 1994

Mr. Benton Becker Kendar Building Suite 215 1550 Madruga Avenue Coral Gables, Florida 33146

Date: 6/3/47
Reporter: David A. Kasdan, RPR

Dear Benton:

It is my understanding one of your clients — a domestic corporation — is considering guaranteeing a \$3.5 million bank loan to the National Policy Forum (NPF).

As you know the Republican National Committee has loaned NPF over \$2 million since last summer. Currently, NPF has just under \$2 million in pledges and renewals, primarily due later this year and in 1995, as compared to a balance outstanding to the RNC of approximately \$2.1 million. RNC has never asked NPF to secure its loan by giving the receivables as collateral, but I am certain NPF would gladly pledge them to the lender and/or guarantor.

Because NPF is separate from the Republican National Committee, the RNC is not automatically responsible for its debts. Nevertheless. I am committed to making sure NPF raises sufficient funds to cover its operations and to gay off any and all its debts. Moreover, as Chairman of the RNC, in the event NPF defaults on any debt, I will ask the Republican National Committee to authorize me to guarantee and pay off any NPF debts. I am confident the RNC would grant me such authority at its next meeting, provided there is valid, outstanding debt of NPF to a U.S. bank or other lending institution, guaranteed by a U.S. citizen or domestic corporation.

Mr. Benton Becker Page 2 August 30, 1994

The full Republican National Committee supports the work of the National Policy Forum and recognizes its great value to our country and our party's future.

Sincerely,

Haley Barbour

Chairman

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### YOUNG BROTHERS DEVELOPMENT CO., LTD.

73rd Floor, Dah Sing Financial Centre 108 Gloucester Rosc Hong KongTelephone Passimile

852-598-6632 852-598-5109 852-598-0575

Telex

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BY HAND

OUR REF: YBC/L/1964/94

September 9, 1994

The Honourable Maley Barbour Chairman Republican National Committee Dwight D. Zisenhower Republican Center 310 First Street Southment Washington, D.C. 20003 U.S.A.

COMPAGE SENSITIVE

Dear Haley:

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After I have heard so much about you, it was a great pleasure to know you. I appreciate for the valuable time you spent with me on August 27, and our conversation during the dinner was most enjoyable.

As a loyal Republican of the Youngs and on the issue of NPF's budget difficulties which we have discussed and claborated under the White Paper of The National Policy Forum sent to me with your letter of August 30, 1994, I wish to give you the following comments:

- As you may be aware that the Younge have been one of the strong and constant financial supports of the Republican Party in the past, therefore, I wish to express that anything we can assist for winning the control of the Senata, the House and the White House will be a pleasure and honour for us. This is our attitude and sincerity in the past, at present as well as in the future.
- In consideration of the possible consequence 2. addition to the financial liability, we prefer to support the Republican Party under the same manner which we have done in the past if NPF's existing requirement can be obtained from other channels.
- If not pussible, we are willing to consider the support of \$2.1 million which is the amount you have expressed to me that is urgently needed and directly related to the November Election.

/P.2 ....

UNITED STATES

SINGAPORE

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HONG KONG

AUSTRALIA

## YOUNG BROTHERS DEVELOPMENT CO., LTD.

P. 2

I am making my son, Stave Young, to deliver this letter to you with explanations on my behalf. If you decide that our services are needed, then I shall be more than pleased to instruct Mr. Henton Becker to proceed legally so that all parties can be well protected.

Best regards.

Ambrous ATY/aw

Mr. Richard Richards, President, YBD (USA)
Mr. Bunton Backer, Legal Counsel & Treesurer,
YBD (USA)

# YOUNG BROTHERS DEVELOPMENT CO., LTD.

23rd Floor, Dah Sing Financial Centre 108 Cloucester Road Horg Kong

Telephone Pasunde

\$51.508.6G2 852-598 5109

Telex

852-398-0375 \$3516 YBDCL HX

### FAX TRANSMISSION COVER SHEET

COMPANY SENSITIVE

TO:

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عدد نيوا

Mr. Benton Becker and Mr. Dick Richards

YOUR FAX NO.:

1 305 662 9276 (Mr. Backar)

1 801 399 9954 (Mr. Richards)

DATE

September 10, 1994

PROM:

Ambrous Young

OUR REF. NO.: FAX/6511/94

COVER SHEET + PAGES TO POLLOW = 3 pages to Mr. Becker 9 pages to Mr. Richards

EXHIBIT

Date:

Reporter: David A. Kasdan, RPR

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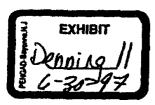
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COUNSELLORS AT LAW

Washington Square. Suffe 1100 • 1050 Connection Avenue. N.W. • Washington D.C. 20036-5304 • (202) 861-1500 Fax (202) 561-1763 • Triex 2887276 Writere Direct Deal Number (202) 561-1504

October 6, 1994

### VIA FACSIMILE AND FIRST CLASS MAIL

Benton L. Becker
Secretary/Tressurer/General Counsel
Young Brothers Development (USA), Inc.
The Kendar Building
1550 Madruga Avenue
Suite 329
Coral Gables, Florida 33146

Re: Loan Guarantee

Dear Mr. Becker:

The National Policy Forum ("NPF") is seeking a loan of \$2.1 million from the Signet Bank of Washington, D.C. ("Bank"), NPF is seeking the loan to partially repay certain outstanding loan obligations, current debts and to temporarily finance the operations of NPF pending the receipt of existing pledges and other donations to the organization. Young Brothers Development (USA), Inc. ("YBD (USA), Inc."), a for profit Florida corporation, has stated to NPF that it is willing to provide collateral security to the Bank in sufficient size and form so that the Bank will agree to loan \$2.1 million to NPF pursuant to the Bank's normal and usual commercial practices and terms.

You have requested our review of whether this transaction conflicts with certain United States laws. Your concern arises out of the fact that the existing and currently due loan obligations of NPF are to an organization which has an affiliated political committee as defined by the Federal Election Campaign Act of 1971, as amended (the "Act").

#### FACTS

The National Policy Forum is organized as a corporation pursuant to provisions of the District of Columbia Non-Profit Corporation Act.: The articles of incorporation restrict its operation exclusively for social welfars purposes within the

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BAKER, HOSTETLER-

Benton Becker Secretary/Treasurer/General Counsel October 7, 1994 Page 2

meaning of Section 501(C)(4) of the Internal Revenue Code. NPF describes itself as a broad base inclusive organization designed to "go out to the grassroots" to listen to Americans about issues on their minds and develop a search for ideas that work. For purposes of this letter, we have been assured (and assume it to be true) that NPF makes no contributions or expenditures in connection with or to influence any election and assured that NPF is opened to all Americans who have ideas to offer for meeting the challenges Americans face today in their individual lives, their families, their communities and their work.

The NPF will use a portion of the Bank's loan proceeds to repay its presently outstanding loan obligations. We have been assured (and assume it to be true) that the partial repayment by NPF of such outstanding loan obligations will not be made to a political committee as defined by the Act.<sup>2</sup>

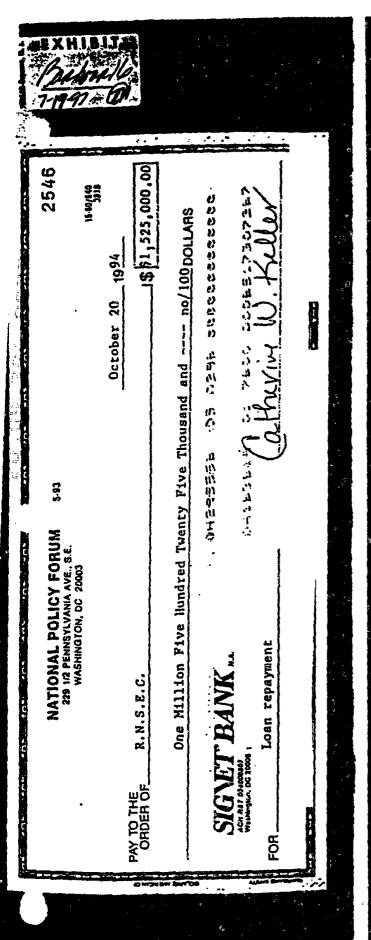
Based upon the facts and circumstances stated in this letter: (1) YBD (USA's), Inc. participation in this loan transaction as a third party provider of collateral does not conflict with any provision of any federal election or campaign financing regulation; (2) the transaction does not conflict with any provision of NPF's bylaws or articles of incorporation; and (3) we are not aware of any federal or state statute which would prohibit YBD (USA), Inc. from pledging its collateral to the Bank as security for the repayment of the proposed loan by NPF.

Sincerely.

E. Mark Braden

ead/ema

cc: Mr. Dan Denning



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FALLS CHURCH, VA.

FOR DEPOSIT ONLY

REPUBLICAN NATIONAL STATE

ELECTIONS COMMITTEE OPERATING

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### NATIONAL POLICY FORUM

A Republican Center for the Exchange of Ideas

November 29, 1994

HALEY BARBOUR Charmen

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Mr. Ambrous T. Young President, Managing Director Young Brothers Development Co., Ltd. 23rd Floor, Dah Sing Financial Centre 108 Gloucester Road HONG KONG

#### Dear Ambrous:

Enclosed are some in-depth materials I have had prepared for Republican Senators, governors and Members of Congress. I thought you would find this information interesting.

As you review the results, you will see the breadth and depth of the Republican victory. This was literally the greatest mid-term majority sweep of the 20th century.

Winning majorities in both houses and 30 of the nation's governorships means Republicans will be in a position to pass legislation based on the ideas generated and refined by the National Policy Forum (NPF). Indeed, at last week's historic Governors' Conference in Williamsburg, Virginia, Senator Dole, Speaker-to-be Gingrich and our GOP governors agreed for NPF policy staff directors to serve as the chief liaison among the states and the congressional majorities in their effort to fine tune crucial bills dealing with such issues as welfare reform, crime, unfunded mandates and the Balanced Budget Amendment, both prior to and in the opening weeks of the 104th Congress.

Your generosity is instrumental in allowing the National Policy Forum to expand its role and further impact the legislative process and the regulatory agenda of our country. The increased interest in NPF's activities is already

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Mr. Ambrous T. Young November 29, 1994 Page 2

obvious, and I expect to report to you soon on some opportunities and developments arising from the new congressional and state situations. I think you will be as excited as I.

Thank you again for all your help. I look forward to seeing you and/or Steve soon.

Sincerely,

Much a champ. Thing,

Many thanks of alwything.

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## N ATIONAL POLICY FORUM

A Republican Center for the Exchange of Ideas

January 31, 1995

HALEY BARBOUR Charrings



Mr. Ambrous T. Young
President
Young Brothers Development
Company, Ltd.
Dah Sing Financial Centre, 23rd Floor
108 Gloucester Road
HONG KONG

Dear Ambrous:

It was a pleasure to see you again during your recent visit to Washington. I am delighted you were able to meet with both Senator Dole and Speaker Gingrich.

They were pleased to hear your views on developments in Asia. Your discussion of the PRC leadership and how you see the next several years shaping up in that strategically important region was of great interest.

I appreciate your contribution to this upcoming issue of "Commonsense". Your article will be timely and relevant to the National Policy Forum's (NPF) continuing effort to develop a cohesive viewpoint on Asia, trade and foreign policy.

Furthermore, I was pleased that you were able to meet with John Bolton, the new President of NPF. He is dedicated to an open and thorough discussion that will ensure we end up with a policy statement that reflects the best minds and efforts available

I look forward to your continuing counsel on these critical issues. Your role as a key advisor on Asian policy is essential to both me and the NPF. Thank you again for all your effort on our behalf.

Sincerely,

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# National Policy Forum

229 1/2 Pennsylvania Avenue, S.E., Washington, D.C. 20003

A Republican Center for the Exchange of Ideas

Haley Barbour Chairman

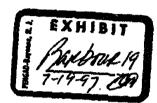
NAT

Hand to B. Commercial Mary In

John R. Bolton President

July 27, 1995

Mr. Linwood White Senior Vice President Signet Bank 1130 Connecticut Avenue, NW Washington, DC 20036



Dear Mr. White:

Pursuit to section 4.6(iv) of our October 13, 1994 Credit and Security Agreement, National Policy Forum (NPF) requests written permission to borrow \$200,000 from the Republican National Committee (RNC) in order to pay our interest and principle due to Signet Bank on July 31, 1995. The loan would be subordinate to NPF's current loan from Signet Bank and the proceeds from the RNC will go directly to Signet Bank on July 31, 1995.

By signing and dating the bottom of this letter, Signet Bank grants permission to NPF to incur a \$200,000 loan from the RNC.

Thank you for your consideration.

Sincerely,

Steven S. Walker, It

Comptroller

Signet Bank gives permission to National Policy Forum to borrow \$200,000 from the Republican National Committee. I am duly authorized to grant such permission.

Linwood White

Jones Wille St

Signet Bank

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# REPUBLICAN NATIONAL STATE ELECTIONS COMMITTEE CORPORATE OPERATING

310 FIRST STREET, SE. WASHINGTON, O.C. 2002

July 28, 19 95 44-108/sec 14:

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PAY Two Pardred Thousand and xx/100 OCLLARS \$ 200,000.00

National Policy Forum

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· Redacted =



## YOUNG BROTHERS DEVELOPMENT CO., LTD.

23rd Floor, Dah Sing Financial Centre 108 Gloucester Road Hong Kong

Telephone Facsimile

852-2598-6632 852-2598-5109 852-2598-0575

OUR REF: FAX/730/95

October 19, 1995

Mr. Steve R. Richards Commerce Consultants International, Ltd. 1025 Thomas Jefferson St., N.W. Suite 105 Washington, D.C. 20007 U.S.A.

PHIVATE & CONFIDENTIAL

FAX: 1 202 342 0650 (office) 1 703 356 0449 (home)

Dear Steve:

#### HB'S ITINERARY

Attached is a copy of HB's proposed itinerary. re-send to both Dick and Fred for their acknowledgement.

HB requested me over the phone for the possibility of a donation commitment within this month of which I need to discuss with Dick and Fred before I respond.

Best regards,

Ambrous Young

Date:

Reporter: David A. Kasdan, RPR

ATY/aw Attach.

P.S. Are Dide of Fred pour HG

TAIWAN

SINGAPORE

HONG KONG

AUSTRALIA

UNITED STATES

October 13, 1995

MEMORANDUM FOR A. YOUNG

FROM:

KIRK BLALOCK/Wan /Lih Blalh

SUBJECT:

HB's upcoming min

HB asked me to fax to you an itinerary for the upcoming trip. The following information in based upon your conversations with him. Please let me know if these flights work.

#### Sunday, November 26, 1995

HB:

5:10 am depart Jackson Delta Flight 7159 7:40 am arrive Atlanta

8:09 am depart Atlanta Delta Flight 1565 10:10 am arrive Los Angeles

HB and KB meet in Los Angeles

11:45 am depart Los Angeles United Flight 1

Monday, November 27, 1995

7:20 pm arrive Hong Kong

RON: Hong Kong

KB:

8:25 am depart Washington United Flight 1 10:35 am arrive Los Angeles

0073

#### Tuesday, November 28, 1995

12:20 pm depart Hong Kong Air China Flight 102 3:10 pm arrive Beijing

RON: Beijing

#### Wednesday, November 29, 1995

RON: Beijing

Thursday, November 30, 1995

RON: Beijing

#### Friday, December 1, 1995

10:10 am depart Beijing United Flight 802 2:55 pm arrive Tokyo

6:55 pm depart Tokyo
Delta Flight 52
10:50 am arrive Portland

We still do not know if Marsha will be traveling with us; we do think it is doubtful that she will. We also need to know what arrangements we need to make for this trip. We believe we will sury at The Ritz-Carlton Hotel in Hong Kong and it has been suggested we stay at The Palace Hotel in Beijing. Are these OK with you?

We would also like a better understanding of what times we will have in Beijing to organize sightseeing trips to The Great Wall, etc. We know you have specific ideas about who, what and where HB will be while in Beijing and we need to have a better understanding for general scheduling purposes (ie: dinners, meetings, etc.).

I hope this information is helpful and we look forward to talking with you soon. You can reach me at 202-863-8700 by phone or at 202-853-8774 by fax.

Thanks again.



ID:



11:02 No.008 P.02 JUN 06'96

#### LAW OFFICES OF RICHARD RICHARDS

2605 WASHINGTON BLAD. SUITE 500 OGDEN. UT \$4401 PHONE: (801) 399-9910 FAX: (801) 339 9954

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PROPERTY SHOULDS PERMISA OCANO UTAN BARS

June 6, 1996

1095 THOMAS JEFFERSON ST. NW SUITE IUS WASHINGTON, DC 20007

PHONE: (202) 42.9610 FAX: (202) 342-0660

OF COUNSEL CORAL CANDA H.

The Honorable Haley Barbour Chairman Republican National Committee 310 First Street, SE Washington, DC 20003

FAX:

<del>-20</del>2-863-8774

Ambrous Young lean to RNC

Dear Mr. Chairman:

I understand that you have simply postponed the April payment -- put it on the end of the contract, etc.

Ambrous has contacted me and Benton Becker, his attorney, and has instructed us to tell you that he expects the Committee to make payments on this Note when due. In the meantime, he is still attempting to find a way to accommodate you with some degree of forgiveness, but until he sees a way to do so, he expects you to be making payments in accordance with the contract.

If you want to discuss this further with me, give me a call.

Best regards,

Richard Richards

RR/ppc

ca: Ambrous Young Benton Becker

EXHIBIT



# National Policy Forum

229 1/2 Pennsylvania Avenue, S.E., Washington, D.C. 20003

A Republican Center for the Exchange of Ideas

Haley Barbour Chairman



John R. Bolton President

June 10, 1996

Mr. Richard Richards
Attorney at Law
Law Offices of Richard Richards
1025 Thomas Jefferson Street, N.W.
Suite 410 East
Washington, D.C. 20007

Haley asked me to respond to your letter to him of June 6, which contains a substantial number of troubling mistakes. I assume you write about the Agreement between the National Policy Forum ("NPF") and Signet Bank/Virginia ("Signet"), dated October 13, 1994, under which USA Young Brothers Development, Inc., collaterally assigned eleven certificates of deposit to Signet. The Republican National Committee is not a party to that loan agreement, has no payment obligations under that agreement, and does not intend to make such payments.

Contrary to the "understanding" in your letter, NPF, as borrower, has informed Signet to use the collateral certificate of deposit associated with the April, 1996, payment to satisfy that obligation. Unlike the handling of the January, 1996, payment, NPF has made it plain to Signet that the April payment is not a deferral. In so doing, NPF has followed the terms of the loan agreement.

If you have any questions, please give me a call.

Sincerely,

John R. Bolton

Reporter: David A. Kasdan, RPR

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Phylogram 23 7-19-97 60

LAW OFFICES OF

#### BENTON L. BECKER

#### CORAL GABLES, FLORIDA

OF COUNSEL RICHARD M. HABER TANFA FLORIDA THE KENDAR BUILDING
1550 MADRUAR AVENUE
SUITE 329
COMM. GABLES, FLORION 33146
13051 662-4099

SAR MEMBER OF WASHINGTON D.C. MARYLAND AND FLORIDA

TOLETAN ISOSI GER-BETE

WASHINGTON, D.C. RICHARD RICHARDS 1025 THOMAS JEFFERSON ST., N.W. SUITE 103. WASHINGTON, D.C. 20007 12021 342-9610

June 25, 1996

David Norcross 1156 15th Street, N.W. Suite 550 Washington, D.C. 20005

Re: National Policy Forum's Notice to Signet Bank of its intention to default on its April 30, 1996 \$191,000.00 obligation.

#### · Dear David:

As discussed telephonically on June 24, 1996, I reduce to written form the disappointment of Young Brothers Development, Inc. (U.S.A.) (hereafter YBD), and its principals, of the unexpected decision of the National Policy Forum (NPF) to default on its April 30, 1996 principal payment of a \$191,000.00 Signet Bank obligation under a Credit Agreement and Note. YBD is in receipt of notice from Signet Bank of its intent to liquidate the YBD Certificate of Deposit Number 1833180951 securing the NPF's April 30, 1996 obligation. The timely payment of this obligation by the NPF, and the prospective timely payments of a series of succeeding ninety day NPF obligations to Signet Bank, are all secured by YBD's Certificates of Deposit.

YBD has currently placed Certificates of Deposit at the Signet Bank in the principal amount of \$1,527,000.00, securing the original \$2,100,000.00 loan of the National Policy Forum. The National Policy Forum's non-payment of the April 30, 1996 obligation to Signet Bank is the first of a series of ninety day NPF obligations scheduled to mature in the next sixteen months. Based upon NPF's refusal to honor its April 30, 1996 obligation to Signet Bank, YBD has unhappily concluded that NPF's prospective obligations to repay its loan to Signet Bank may meet with similar dissatisfaction.

I wish to express the unambiguous concern of YBD, and its principals, and to advise that YBD, and its principals, cannot and will not allow these defaults to occur without recourse.

I have previously faxed an enclosed copy of an August 30, 1994 correspondence from National Committee Chairman Haley Barbour to the undersigned, pertaining to YBD's then consideration of serving

Mr. David Norcross June 25, 1996 Page -2-

as a guarantor of an NPF bank loan. In his correspondence, fully relied upon by YBD and its principals, Chairman Barbour stated,

"I am committed to making sure NPF raises sufficient funds to cover its operations and to pay off any and all its debts. Moreover, as Chairman of the RNC, in the event NPF defaults on any debt, I will ask the Republican National Committee to authorize me to guarantee and pay off any NPF debts. I am confident the RNC would grant me such authority at its next meeting, provided there is valid, outstanding dept of NPF to a U.S. bank or other lending institution, guaranteed by a U.S. citizen or domestic corporation.

The full Republican National Committee supports the work of the National Policy Forum and recognizes its great value to our country and our party's future."

Finally, the principals of YBD have asked me to communicate their willingness to discuss their prospective financial participation in matters of assistance to the Republican National Committee, within the parameters of the Federal Election Law. The principals of YBD have expressed an interest in providing assistance for state election candidates and administrative matters, however any prospective assistance by the YBD principals must be subject to the NPF's full satisfaction of its past and outstanding obligation to the Signet Bank.

Sincerely,

Benton L. Becker

BLB:jef Enclosure

cc: Mr. Ambrous Young

PALBORAL Z4 7-19-97 60

#### **AMBROUS YOUNG**

7th Floor, Harcourt House 39 Gloucester Road Wanchai HONG KONG TEL: (852) 2598 6695 (direct) TEL: (852) 2598 6632 (general) FAX: (852) 2598 0575/ 2598 5109

OUR REF: FAX/438/96

June 28, 1996

Honourable Haley Barbour FAX: 1 202 863 8774

Dear Haley:

Mr. Richard Richards and Mr. Benton Becker reported to me that you are unwilling to make the payment according to the Loan Agreement of October 7, 1994 for which I am indeed concerned.

It is true that you have expressed to me the difficulties for the Forum to repay the loan to us, and it is also true I have stated to you that the agreed loan should be cleared for various reasons. If you do need additional funding, we shall try to look into the possibility of raising the money. However, these two issues must remain separate. As you know, I have tried my best but unfortunately there is not yet any success up to now.

My sincerity and loyalty to the Republicans is unchallengeable. I am writing to you to confirm that I shall devote my best for seeking sources to raise money for the Party. However, for the benefit of all parties concerned, I request you sincerely to instruct your people to continue to repay the loan in accordance with the Agreement.

Best regards,

Ambrous Young

ATY/aw





#### BENTON L. BECKER



#### LORAL GABLES, FLORIDA

OF COUNSEL RICHARD M. HABER TAMPA, FLORIGA

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THE KENDAR BUILDING 1550 MADRUGA AVENUE SUITE 329 CORAL GABLES, FLORIDA 33146 13051 662-4099

BAR MEMBER OF WASHINGTON D.C., MARYLAND AND FLORIDA

TELEFAX: 13051 662-9276

WASHINGTON, D.C. RICHARD RICHARDS 1025 THOMAS JEFFERSON ST., N.W. SUITE 103 WASHINGTON, D.C. 20007 12021 342-9610

July 15, 1996

David Norcross 1156 15th Street, N.W. Suite 550 Washington, D.C. 20005

Re: National Policy Forum's outstanding loan from the Signet Bank

Dear David:

I write on behalf of YBD (USA) Inc. to respectfully request that at the scheduled mid-August 1996 meeting of the Republican National Committee (RNC), Chairman Haley Barbour seek and obtain National Committee authorization to serve as the sole guarantor for the outstanding balance of approximately \$1,500,000.00 on the Signet Bank loan to the National Policy Forum; and concurrently thereby obtain Signet Bank's release of YBD (USA)'s, Inc. certificates of deposit initially placed as collateral for the NPF loan.

Sincerely,

Senton L. Becker

BLB:jef

cc: Mr. Ambrous Young Richard Richards Stephen Richards

EXHIBIT

Beck, 45

Date: 6/3/57

Reporter: David A. Kasdan, RPR

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### Republican National Committee

David A. Norcross General Counsel



July 29, 1996

Benton L. Becker, Esq. The Kendar Building 1550 Madruga Avenue Suite 329 Coral Gables, FL 33146

Re: National Policy Forum

Dear Benton:

Thank you for your letter of July 15, 1996. It is our intention to suggest to John Bolton, Executive Director of NPF, that he submit the matter to the Budget Committee at the San Diego meeting for consideration of the authorization suggested in your letter.

Yours very truly,

David A Norcross

BALBOAR 27 7-14-97 (B)

LAW OFFICES OF

RICHARD M. HABER

AC COUNSEL

TAMPA, PLOQIOA

#### BENTON L. BELKER

#### CORAL GABLES. FLORIDA

THE KENDAR BUILDING
1550 MADRUGA AVENUE
SUITE 329
CORAL GABLES, FLORIDA 33146
13031 662-4095

BAR MEMBER OF WASHINGTON D.C., MARYLAND AND FLORIDA

TELEFAX (305) 662-9376

WASHINGTON, D.C. RICHARD RICHARDS 1025 THOMAS JEFFERSON ST., N.W. SUITE 105

WASHINGTON, D.C. 20007 (202) 342-9610

August 29, 1996

David Norcross. 1156 15th Street, N.W. Suite 550 Washington, D.C. 20005

Re: National Policy Forum's

outstanding obligation to Signet Bank

#### Dear David:

Ambrous Young, Dick Richards and I have been advised that at the behest of RNC Chairman Haley Barbour, John Bolton, Chairman of the National Policy Forum (NPF), appeared before a meeting of the Budget Committee of the RNC and requested Budget Committee's authorization to have the RNC replace Young Brothers Development (USA) (hereafter YBD) as the guarantor of a series of outstanding Signet Bank loans to the National Policy Forum, which loans balance principal currently maintain ar. outstanding If Chairman Barbour's request had approximately \$1,250,000.00. been authorized by the Budget Committee, and thereafter approved by the Signet Bank, YED would have been released from its guarantor position on the outstanding NPF/Signet Bank loans and concurrently, would have been able to retrieve its (YBD's) gratuitous loan collateral held by the Signet Bank.

To our collective surprise, and disappointment, Misters Young, Richards and I were informed that the RNC Budget Committee "tabled Mr. Bolton's request until after the November 1996 election." (Dick Richards, as you know a former RNC Chairman himself, commented to Mr. Young and me that he could not recall any past instance of a Budget Committee's refusal of a request from an RNC Chairman.)

Since the close of the Republican National Convention, Dick Richards has attempted to make telephone contact with Mr. Bolton on ten separate occasions. <u>Ten times!</u> Each time, he has been told that Mr. Bolton is either not available or "in a meeting". Given such unwarranted rudeness to a former Chairman, this matter has been turned over to me with instructions to take those steps necessary to protect YBD's interest.

Mr. David Norcross August 29, 1996 Page -2-

Initially, I request confirmation in writing of the RNC's prospective intention to honor, or to decline to honor, its obligation to YBD. Further, I am constrained to request an inperson meeting with Chairman Barbour and you to discuss this matter before September 20, 1996. Should we fail to reach a satisfactory accord by that date, other individuals will be engaged to proceed thereafter.

Benton L. Becker

BLB:jef

cc: Mr. Ambrous Young
Mr. Richard Richards

Mr. Haley Barbour

:

Page 53 whether he spared me his mind, but one or two days later he tooks the public.

me make sure I understand. You offered ever that you thought the unification of mainland China and Taiwan was important for the reasons you have outlined, and one or two days later Speaker Gingrich took a

different view in public? A: Yes.

Q: Do you know what the occasion was that he made the statements that were contrary to what you had been saying?

A: I reckon that my voice is too weak. That's

Q: In the letter that Mr Barbour sends to you deted January 31, he refers to a meeting that you had with John Bolton. Do you recall having that meeting? In the next to last paragraph.

MR BECKER: That he met Mr Bolton? MR BARON: Yes. Do you recall meeting

Mr Bolton

A: I don't remember.

MR BECKER: Off the record for a minute.

(Discussion off the record)

MR BARON: Mr Young, in the course of my questioning you related the fact that you had expressed

Page 54

certain views regarding unification of China to Mr Gingrich I took it that these were your personal views on the subject as reflected in the articles that were submitted to Commonsense and that you were doing this as an individual not on behalf of any government of not as a

paid representative of any interests, is that correct? othing at all. Just my personal views. have had testimony, Mr Young, from

Mr Becker and Mr Richards, that eventually this meantee was consummated and for a period of time the National Policy Forum met its obligations to pay.

Did there come a time when you were contacted by Mr Barbour, with reference to the loan guarantee that had been made on behalf of the National Policy Forum, thereafter once the loan guarantee was in effect?

A: You mean Mr Barbour contacted me for Q: What was the next - did you have a contact

let me rephrase the question.

Did there come a time when Mr Barbour contacted you? After the loan guarantee was in effect and sayments were being made for a period of time by the National Policy Forum on the loan, did Mr Barbour contact you relative to the loan guarantee?

O:

Q: Approximately when and where was that?

A: On one of his trips to the Far East he stopped over in Hong Kong and I invited him to join me for a drink, and he asked me to consider whether I can forgive the loan.

Q: Where - this took place in Hong Kong? A: On our yacht belonging to the company.

Q: The company yacht of YBD Hong Kong?

A: That's right.

Q: Did you know when Mr Barbour was coming that that was one of the things he was going to raise with

A: Totally unexpected.

What reason, if any, did he give as to why ald think you would be willing to forgive a loan or ruarantee of that magnitude, if he gave any reason?

**3ECKER: Before you answer that, it might** pful, for record purposes and charification purposes, to define, or have Mr Young define, what he means when he uses that term "forgive" with respect to the then in place YBO USA loan guarantee of the National Policy Forum.

MR BARON: I welcome Mr Young to explain whatever terms he feels he wants to elaborate on. THE WITNESS: Could you repeat the question?

(1) Kong. You entertained him on the company yacht, and on za that occasion, if I understood your testimony, he raised

in the question of would you be willing to forgive - that was 14 your word, and maybe that was Mr Barbour's word - forgive

is, the loan guarantee. What did you - first of all, you have

also testified that was completely unexpected, you did not

[7] know he was going to raise that, is that correct?

Q: What did you understand that he was asking

A: What I understand is he was just asking YBD Mil USA, or directly or indirectly YBD Hong Kong, to forgive the repayment of the loan which YBD USA guaranteed. 11:31

Q: What did you understand - just so we are clear that we are talking about the same thing, what did you understand that would have involved?

A: Involvement?

(Counsel conferred with the witness) (ia)

MR BARON: This is in the summer of 1995, am

I correct?

A: I think so. My counsel reminds me that what he means technically is to default the loan, will you

waive all rights? But on the particular moment I

gay understood we were going to lose the money, which is the

(25) same thing.

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Page 57

TIBIT

Q: The National Policy Forum had made the loan and YBD USA had guaranteed the loan?

A: Yes.

Q: Collateral had been posted by YBD USA to gs secure that loan to the National Policy Forum, is that

correct? A: Correct. m

Q: Am I correct that the money that YBD USA

posted as collateral had come from YBD Hong Kong as a loan to YBD USA?

A: Correct

121 17 Q: So that ultimately the loss would have been 112 borne by YBD Hong Kong? 112

A: Yes. (14

Q: What was your response to Mr Barbour's វាទ proposition that the loan be forgiven, as we have

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Page 55

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[17]

A: I said no in the manner of an apology. I it# explained to him that we have difficulties to do that, TI ST

per because the YBD USA money, which was guaranteed under the per form of certificate, deposit certificate, for the Forum

221 loan, was a loan from YBD Hong Kong, and YBD Hong Kong we

23 are facing government audit every year. Without pg justification the directors, or the board, who approved such

loan could face government punishment, so therefore I

Page 58

[1] explained this cannot be done.

Q: Did Mr Barbour at that time express any surprise or concern when you advised him that the money that YBD USA had posted as collateral with the bank for the National Policy Forum loan was money that originally had come from YBD Hong Kong?

A: I did not notice whether he is surprised, but just carrying on a normal conversation.

Q: He didn't express any surprise?

A: He didn't make any special point, but because we were concentrating on the subject of forgiving [11] the loan.

Q: What, if any, response did Mr Barbour make 113 after you explained to him the reasons why it could not be [14] done, the forgiveness could not be done?

A: That's what I have just explained.

Q: That's what you said to him. My question

(ist is: Did he say anything back to you?

ga and look into the possibilities.

A: No, but I also told him that, as a courtesy or politeness, the loan must be repaid. If the Forum has [21] difficulties and needs money, we should consider a separate issue, something like that in other words, you have to pay gas back the loan; if there is any need, we are willing to help

MR BARON: Right

Page 62

Page 59 THE WITNESS: "We" means Young Brothers. MR BARON: Young Brothers ...? A: Hong Kong. Q: Did he have any suggestion at that time as is to how that might be accomplished as an alternative to or forgiving the loan? A: I think he misunderstood me. He said: "Are you meaning you will give me the money to pay back m your loan?" In other words, he said: "Do you" - he asked ng me the question: "Are you meaning that you will give me [11] the full amount of money equal to what they owe YBD USA so that the loan can be retired, and I said No" and that's the end of the conversation. Q: Let me make sure I understand. Was he [15] asking you whether that was what you were suggesting, or was he suggesting that that's a way that you could work out [17] an arrangement to have the loan repaid? A: It seems to me he was asking me whether I have the idea to give him the money to pay back the loan. go it seems to me that way. Q: Did he ever suggest to you that that was 221 the way to do it? A: After that we both shut up, went quiet.

any calls for forgiveness following the default? MR BARON: Not the contested default. (To the witness): We have had testimony that you received a visit from Mr Barbour and also calls from Mr Barbour asking that you forgive the loan prior to default. Once the loan was in default, did you get any contact from Mr Barbour, or anybody else, not to contest it ng and, in effect, to just throw in the collateral? A: After the default happened nobody CT TE 112 approached us anymore, and instead we, YBD Hong Kong, started making phone calls looking for somebody whoever approached net us: What is happening? What is going on? and nobody can (19 give us any satisfactory answer. Q: To your knowledge, did your counsel, me Mr Becker, seek to talk to Mr Barbour, as far as you know? [13] A: Well, he is the key person for us to contact, and we were discussing with Mr Becker for what actions we can take to recover the lost money. MR BARON: Can we have this marked as the **211** next exhibit please. (Young Deposition Exhibit No. 129 18 marked for identification) MR BARON: Mr Young, I want to show you 2 Page 63 m document which has been marked as exhibit no. 18. It is a

MR BECKER: Your question is did he receive

(i) already, it had reached that point Q: After that time, did Mr Barbour contact you the about the possibility of forgiving the loan guarantee? A: Yes: Q: Can you describe - how did he do that? By telephone? A: Telephone.

Q: That was the end of that discussion?

A: End of discussion, because it is unpleasant

[14]

[14]

[18]

[21]

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Q: What were the conversations! A: The conversation was similar. He explained ng to me the Forum will be closed, it will no longer exist or [11] something like that, and the problem has to be resolved; 112 so, therefore, the issue is quite pressing and urgent, and [13] I told him that we cannot do that So I, on behalf of YBD [14] Hong Kong and USA, practically - I may not use the word nsi "begging" - was practically asking him to consider our tia bosition.

[17] Q: Did there come a time when you were advised that the National Policy Forum had missed a payment for the in first time? Were you advised of that? A: The conversation was not one time, more

gry than one time, and the first approach was on our yacht and everything is fine, repayment is going on, and then the ger second time, I believe, is the time they have defaulted one [24] of the payments and moved it to the last payment. Q: Let me make sure we understand. There has

Page 61

Page 60

[1] been testimony that a payment was missed, I believe in [2] January of 1996, and as a result of that the obligation to make that payment was moved to the back end of the loan. A: Correct Q: The loan was extended by another 3 months. (5) A: Correct. Q: Is that what you were referring to? Ø A: Yes. Q: Was there any forgiveness of the loan in (4) no connection with that event? [11] A: No. O: Thereafter, were you advised that the National Policy Forum had again failed to make a payment due to the bank on the loan which had been guaranteed? A: Later I learned from our counsel the payment was stopped. Q: I believe the testimony has been that that [18] was an obligation, a loan payment, that was due in April of (19) 1996? A: I believe so. [20]

by am I correct that by this time you are aware that the loan is in default? A: Yes. (5) Q: Therefore, the collateral that had been posted was forfeit? Ø A: Correct. 1 Q: Did you get any response to your letter to (10) Mr Barbour, the letter dated June 28, 1996? A: I don't think so. Never. MR BECKER: May the record reflect, referring (12) to the exhibit, that Mr Young in that letter of June 28, [14] 1996 to Mr Barbour concludes with the sentence: "I request you sincerely to instruct your people to continue to repay the loan in accordance with the agreement". ne (17) (Young Deposition Exhibit No. 19 marked for identification)
MR BARON: Let me show you a document marked [14] [19] Young 19. It is on the stationery of Frederick W. (20) Volcansek, Sr. dated Wednesday, July 10, 1996. [21] First of all, other than recently in connection with the current investigation into this whole gay transaction, were you aware of the existence of this [25] letter?

ra letter from you to Mr Barbour dated June 28, 1996. First,

Page 64 Q: In this letter Mr Volcansek says, and I am quoting - this is a letter to Mr Barbour from Mr Volcansek; he says: I have never asked for any money accept for the six \$5,000 payments which were in accordance with our written agreement of July 13, 1995 and of which only one remains. For my efforts with Ambrous Young, you know that I have only requested one of your limited 'pairs of Reagan cuff links'. Do you see that paragraph? A: I saw this paragraph. Yes. rot Q: Did you have any understanding at any time,

prior to recently when you saw this letter, of what if any financial arrangement Mr Volcansek had with either the RNC or the National Policy Forum? Did you know anything about [14] (15) this? A: Nothing at all. ដេផ

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[20]

[51]

(22)

(23)

Q: Did you have any understanding throughout this period of what Mr Volcansek's business was, how he earned his living? A: Nothing at all. All I understand he is

working for somebody. O: Anything more specific than that?

A: He works for Mr Mosbacher, is employed by

**0085** 

Q: Now, when that occurred, did you get any [22] calls from Mr Barbour, or anybody else, relative to the foreign the obligation?

ID: EXHIBIT

Barbourg

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An investigation and a services and

September 17, 1996

The Honorable Haley Barbour Chairman Republican National Committee 310 First Street, S.E. Washington, DC 20003

Date: 6/3/17 Reporter: David A. Kasdan, RPR

Dear Mr. Chairman:

Congratulations on a successful convention. I was there but did not make it a point to see you because I know you are under a great deal of pressure during the convention time. I have attempted to contact John Bolton on several occasions but we were never able to communicate.

I have recently heard from Mr. Young in Hong Keng and needless to say, he is somewhat distressed about the non-payment by the Forum. He has advised us that you have stated you were ded by me to believe that payment was not necessary. The bank has subsequently given us notice that they are now going to claim the entire debt in default and utilize our security to pay it in full.

The following is my understanding of exactly what has transpired in this whole transaction:

Just prior to the elections of 1994, I was asked by Fred Velcansek to help facilitate a loan in excess of \$2 million to assist you in replacing hard money at the Forum with soft money so that the hard dollars could be used to help pick up 60 targeted House seats.

As a result of Fred's request, I contacted Mr. Ambrous Young and asked him if he was interested in that kind of assistance for the Party. You and I then had several discussions concerning a loan quarantee by Mr. Young.

Funds were transferred from Hong Kong to Young Brother USA, a Florida corporation of which I am the President. Shortly after the Joan was made, you journeyed to Hong Kong and approached Mr. Young for the first time about the question of forgiveness of the

informed me that he wanted to be as helpful to you as he could and he would take the request of forgiveness under advisement.

Mr. Young began discussions with you about a trip to China. One was scheduled, then cancelled, and a second trip scheduled in which you, Mr. Young and I were all to go to China for the purpose of seeing it we could facilitate some business in China that Mr. Young had in mind. It was during those discussions that the question of forgiveness became seriously considered and Mr. Young indicated to both you and me, and you and I also discussed, the possibility of forgiveness if Mr. Young could get some business opportunities that would justify forgiveness of such a large indebtedness. Forgiveness was always contingent upon Mr. Young getting something in return that would justify this kind of a generous gift.

As the payments became due, you then requested forgiveness of individual payments, the first of which Mr. Young refused, but agreed to skip the payment, pay the interest, and put the payment on the back side of the loan, which he did.

As further discussions ensued, you and I spoke again at least a couple of times in which I advised you that Mr. Young still wanted to work something out with you that could result in forgiveness, but he had to have some economically sound reason for doing so; therefore, the quarterly payments should be made. That did not negate the forgiveness of the loan if things could still be worked out.

During our last personal discussion, I advised you that Mr. Young could not forgive the loan for two reasons. First, he did not want to give up a couple million dollars, and second, he was atraid of adverse publicity for himself, his American company and the Forum. During those discussions you made the statement to me in words to the effect, "I will not spend hard dollars to pay off this loan." I responded with words to the effect, "We cannot forgive it, therefore, if you are not going to pay it, you'll simply have to default. We would be better our with you delauting than us forgiving." I did not say, because I did not have authority to say, "Go ahead and default and we will do nothing." In essence that would be our way of forgiving the loan. I think I did say I doubted Mr. Young would sue you in the event of default, but Mr. Young did not say that, and did not give me authorization to say we wouldn't sue and therefore, go ahead and default and we'll simply walk away.

There cannot be any dispute that this was a lear Mr. Young made it in good faith to assist you in capturing some targeted Congressional seats. You promised in writing to repay the Note and that if necessary, you would go before the Budget Committee and ask for authorization to borrow money to do so.



There is no question that it was the intent of Mr. Young to forgive all or part of the Note if he could make economic sense of doing so, but he would have to be the judge of that. I could not; neither could you. In our last discussions, Mr. Young was still trying to make some economic sense out of your trip so that he could be generous with you. Mr. Young has been generous with the Republican Party for several years and would like to continue to do so. He does not want to have unpleasantness between himself and you, as Chairman, and/or the Republican National Committee, but he simply cannot justify writing off a couple million dollars at this stage.

As a result, he has referred this matter back to Mr. Benton Becker, who has acted as his Counsel throughout in the preparation of the agreement, the Promissory Note, etc. I believe it would be most unfortunate if this matter results in bitterness between Mr. Young and you or the Farty, and particularly, if there is litigation involved which would obviously be embarrassing to everyone concerned.

I would suggest that something be done by the Forum immediately to avoid taking all of Mr. Young's security at this stage.

I don't know what more can be said. I think I have honestly and accurately stated the situation, but in the final analysis, although there were numerous discussions and it was the intent of Mr. Young to be forgiving of all or part of the obligation, the conditions upon which his forgiveness were based have not come to pass. Therefore, he cannot justify this kind of generosity; particularly, when the monies are not his, but corporate monies that he will personally be responsible to replace.

Please call me. I believe we can still resolve this matter without animosity - it can be a win for both sides.

Best regards,

Richard Richards